

Getting clear on corporate culture: conceptualisation, measurement and operationalisation

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Abstract: This article provides a review of existing literature on corporate culture, drawing on work from the disciplines of business ethics, management studies, psychology, anthropology, and economics, as well as interviews with business leaders. It surveys different definitions of corporate culture and proposes a framework for capturing their commonalities. It then discusses the importance of culture so conceived and widely used frameworks to measure it. The article also portrays different views on how culture can be operationalised and moulded within an organisation. The article concludes by discussing the relationship between corporate culture and corporate purpose and highlighting gaps in the literature which would profit from further research.

Keywords: Corporate culture, organisational culture, culture change, business ethics, corporate purpose, corporate culture significance, culture measurements.

EXECUTIVE SUMMARY

The construct of organisational or corporate culture is elusive and so there is disagreement and confusion as to its precise definition, importance, and measurement.

This paper reviews more than seventy articles on corporate culture, drawing on work from the disciplines of business ethics, management studies, psychology, anthropology, and economics, as well as interviews with twenty-four business leaders, to offer an integrative and holistic review of corporate culture.

It explores notions of culture and the frameworks most often used to measure it. The authors set out different views on how culture can be operationalised and moulded within an organisation and consider the relationship between corporate culture and corporate purpose.

Organisational culture research emerged in the 1970s from anthropology and sociology, which used qualitative methodologies to focus on how values develop and

are transmitted within groups. That research had its roots even further back in the Gestalt psychology of the 1930s, which introduced the idea of 'social climate'.

The paper considers the constructs of 'culture' and 'social climate' as largely congruent. It surveys a large variety of different definitions and captures their commonalities: organisational culture is a multi-layered, scalar, social phenomenon, concerned with values and related to actions.

Culture is often seen as the 'soft' side of business, but the literature shows it is critical for the successful implementation of strategy, for business performance, and how the corporation operates in a socio-political context. When aligned with personal values, drives, and needs, culture can unleash tremendous amounts of energy. On the other hand, a 'false' culture, misaligned with corporate strategy and purpose, can inhibit changes.

Culture is also important in relation to politics. Governments can manipulate corporate culture to further their own agenda or consolidate their grip on power. What is not yet clear is whether there is a correlation, and the direction of influence between politics and corporate culture.

Measurement frameworks of organisational culture may use quantitative or qualitative measures, or a combination of both. Examples of some of these frameworks, their commonalities, and differences, are given. However, the authors note there is little consistency amongst different methodologies, and no pre-eminent approach.

To be more than empty words, culture needs to be embedded in any organisation's practices. There are many ways of doing this, including 'innovation parenting' to encourage employees to internalise the values of the company. Most approaches rely on the organisation's leaders to live the core values and strategic priorities of the culture, ensuring flat hierarchies and avoiding micromanagement.

The paper identifies how culture affects individual behaviour both within and outside the workplace, how it can help or hinder corporate innovation, and how it can be affected by location, office design, and staff diversity, with examples from other industries, including technology, engineering, and consumer goods.

The authors conclude that culture is only one ingredient in the recipe that leads to a (good) corporation of the future. It is connected to many other areas, most importantly the question of a corporation's purpose, where there is a significant gap in understanding the connection between social purpose and culture.

There is also a need for closer examination of the conditions that influence the different measurement frameworks of culture, for a more holistic study of approaches to operationalise culture and the role of leadership in those efforts.

1 INTRODUCTION

The construct of *organisational* or—as we shall refer to it throughout this review—*corporate* culture is elusive. While there seems to be consensus that organisations of varying size can have ‘culture’ and that culture is somehow important for an organisation, there exists a lack of clarity and disagreement as to how the construct is to be defined, what drives its importance, and how it can be consequently measured and influenced.

The aim of this article is to offer a review of the literature on corporate culture. It is structured along the above dimensions. We not only draw on the insights of more than seventy articles from the fields of business ethics, management studies, psychology, anthropology, and economics, but also on interviews with twenty-four business leaders, all of whom strongly affirmed the importance of organisational culture. Our review contributes to the existing literature by integrating research from these different disciplines and by offering an integrative and holistic review that combines both the insights from academic research and experience based on practice along four dimensions: (1) how the construct is to be defined; (2) what underlies its importance; (3) how it can be measured; and (4) how it can be operationalised, that is, established within an organisation.

Section 2 begins by providing an overview of how the construct of corporate culture has been defined in the academic literatures. We motivate our decision to include research on organisational climate within a survey of culture, arguing that arguments to treat the two constructs as conceptually distinct are not compelling. We then propose a framework that aims to capture five key dimensions of the construct of corporate culture.

Section 3 focuses on the importance of culture. Whereas culture often tends to be seen as the ‘soft’ side of business, the literature shows that culture is significant with respect to the implementation of strategy, business performance, and how a corporation deals with the socio-political context within which it is situated. In addition to reviewing the literature, we draw on learning from cases of organisational success and failure that has emphasised the importance of culture and its inherent connection to other domains such as politics.

Having examined different ways in which culture has been defined and why culture, so understood, is important for an organisation, Section 4 considers how culture can be measured. We survey a range of different approaches that have been developed to measure the construct, observing that there is no consistent use of any one measure to-date.

Section 5 explores different ways in which a certain culture can be operationalised (for example, in physical space) and changed (for example, to increase diversity).

Given our focus on an integrative and applied review, this section draws on best-practice examples of culture implementation and change from different industries (technology, engineering, and consumer goods).

Section 6 concludes our discussion, highlighting some emerging gaps that merit further research, such as the connection between the social purpose of the corporation and culture, as well as suggestions to better support the alleged connection between culture and ethical outcomes.

2 THE CONCEPTUAL FOUNDATIONS OF THE CONCEPT OF 'ORGANISATIONAL CULTURE'

2.1 Culture vs. climate?

In the late 1970s and early 1980s, organisational culture research emerged from the disciplines of anthropology and sociology, which are concerned with how important values arise and develop in social groups of differing sizes. Organisational culture research uses qualitative case methods based on observations of behavioural patterns of group members at different points of time and a focus on how values within the group are transmitted through myths and stories. Inspired by this way of studying collectives, the construct of organisational culture was first introduced to the study of organisations through seminal work by Pettigrew (1979), as well as work by Deal and Kennedy (1982) and Peters and Waterman (1982).

The development of the field of organisational culture research was preceded by what is known as organisational *climate* research. In contrast to the anthropological and sociological influences of the organisational culture literature, climate research has its roots in the Gestalt psychology of Lewin *et al.* (1939), who argued that the psychological life space that people inhabit is mainly a product of the social and behavioural attitudes of people to leadership practices, which they consequently termed 'social climate'. In the 1960s, Lewinian methodology was introduced into the study of organisations to gain an insight into the social and behavioural perception of an organisation by its members.

Up until the beginning of the 21st century, organisational culture and climate research operated largely orthogonally. However, more recent research has begun to acknowledge that the distinction between culture and climate might have been exaggerated or even misguided and now either treats the two constructs as identical or develops integrative approaches that combine both fields of research and methodologies (Denison 1996, Ostroff *et al.* 2003, Schneider & Reichers 1990, Treviño *et al.* 1998, 2006, Zohar & Hofmann 2012).

In line with this trend, we shall conceive of the two constructs as largely congruent throughout this review. We therefore survey, in addition to culture models, measurement frameworks from the ‘traditional’ climate camp as well as hybrid approaches that draw on both fields (Treviño *et al.* 1998; Schneider *et al.* 2011). Opting for this integrative strategy aligns with our interview results with business leaders, none of whom considered the distinction between culture and climate to be of importance in practice (British Academy 2018).

2.2 How should culture be defined?

Our survey of conceptualisations of culture suggests that there is a considerable variety in definitions of culture, and very little convergence towards a single definition. Cameron and Ettington (1988) report eighteen different definitions in the literature from 1982 to 1986 alone while Verbeke *et al.* (1998) note fifty-four different definitions in the period from 1960 to 1993.

As Pettigrew observes, one explanation for this might be that culture is a very rich construct that can subsume or encompass other concepts:

Part of the problem with culture is that it is not just a concept but the source of a family of concepts ... and it is not just a family of concepts but a frame reference or root metaphor for organisational analysis (Pettigrew 1990: 414–15).

Our review of the literature confirms Pettigrew’s hypothesis: while many definitions of culture centred around common themes—which we will try to capture more formally in the next section—definitions vary considerably on closer inspection.

Some accounts define culture rather broadly, such as:

- Groysberg *et al.* (2018: 4) who consider culture to simply be ‘the tacit social order of an organisation’.

Other accounts emphasise that culture primarily concerns entrenched beliefs. Examples here are:

- Louis (1980: 227) who defines culture as ‘a set of common understandings for organizing actions and language and other symbolic vehicles for expressing common understandings’; and
- Schwartz & Davis (1981: 33) who define culture as ‘a pattern of beliefs and expectations shared by the organization’s members’.

Other definitions also consider more implicit elements as constitutive of culture, such as behavioural norms or symbols:

- Turnstall (1983: 1) understands the construct as ‘a general constellation of beliefs, mores, value systems, behavioural norms and ways of doing business that are unique to each corporation’;
- Alvesson (1993: 2–3) defines culture as ‘a shared and learned world of experiences, meanings, values, and understandings which inform people which are expressed, reproduced, and communicated partly in symbolic form’.

In this context, it is worth highlighting the extent to which definitions of climate capture similar notions to the ones invoked above. For example:

- Ashkanasy *et al.* (2000: 8) define climate as a term ‘being used to describe configurations of attitudes and perceptions by organization members that, in combination, reflect a substantial part of the context of which they are a part and within which they work’; and
- Michela and Burke (2000: 234) write that ‘traditionally defined, organisational climate involves people’s perceptions and experiences of the workplace in terms of warmth, trust, dynamism, ambiguity, and other affect-laden dimensions’.

One of the most encompassing and canonical definitions is given by:

- Schein (2016: 18), who defines culture as ‘a pattern of shared basic assumptions learned by [an organisation] as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valued, and therefore to be taught to new members as the correct way to perceive, think and feel in relation to those problems.’

Lastly, some economic literature examines culture from a perspective that is internal to an organisation and, specifically, aims to understand how the presence of culture can improve the efficiency of internal communications and decisions (see also Arrow 1974). In context:

- Crémer (1993: 354) proposes that culture is ‘the part of the stock of knowledge that is shared by a substantial portion of the employees of the firm, but not the general population from which they are drawn.’

2.3 An integrated framework of culture

We observed in the previous section that, although there exists a great variety of subtly different definitions of what organisational culture is, most definitions centre around similar ideas. To this end, we shall synthesise our survey results to provide a frame-

work which captures some central features of the construct of culture in a more concise way than existing proposals.¹

The articles that we surveyed as part of this review suggest that culture can be defined as sharing (at least) the following five key features:

Organisational culture as a social phenomenon

Organisational culture is a social construct that only manifests in a collective: that is, organisations with a certain number of members.

Organisational culture as concerning values

At the most general level, accounts of organisational culture define culture as having to do with values, understood very broadly and as manifesting and being shaped in various ways.

We propose to distinguish this feature into two sub-categories: the mental and the physical. The mental dimension concerns either consciously or tacitly shared beliefs, attitudes, or other perceptions such as narratives. The physical dimension concerns, depending on the account, observable artefacts such as symbols, organisational language, and practices. These features are physical in the sense that they are directly observable in the behaviour and artefacts created by people. For example, some frameworks maintain that the physical manifestation of organisational culture can be observed in the form of formal practices, such as job descriptions, policies, and information practices, in the way stories about organisation are told, rituals such as ceremonies and product unveilings, and, more generally, in the way decisions are made.

Organisational culture as related to action

Accounts of organisational culture all see culture as necessarily related to action. This relation can be understood broadly and in different ways: in terms of culture facilitating or hindering certain kinds of (more efficient) action (as we shall see in Section 3), or in terms of culture being influenced by agency itself (as noted in the previous paragraph).

However, many accounts endorse a more stringent connection than this, linking culture directly to *ethical* action as opposed to broader forms of agency. These conceptions see culture as related to, for example, promoting behaviour that conforms with an organisation's norms, rules, and practices.

¹Some other examples of such classifications are Alvesson (2002), Martin (2002), Ott (1989), Schein (1991, 2010), Schein (2016), and Trice & Beyer (1993).

Organisational culture as scalar

Accounts of organisational culture mostly agree that the notion is scalar: viz. that an organisation's culture can be developed to differing degrees. An organisation's culture can be more fragmented (weak), as might be the case in some newly formed organisations or organisations that have recently undergone radical changes, or fully developed (strong), as in some long-established organisations or well-managed organisations. For example, one might think that the strength of an organisation's culture relates to how effectively it can shape conduct. (See, for example, the idea that climate strength is defined as the extent to which members of a work unit or an organisation agree in their perceptions of the workplace climate (Lindell & Brandt 2000).)

Organisational culture as multi-layered

Some frameworks of organisational culture adopt what we might call an intra-organisational *pluralist* as opposed to *monist* view of culture. According to pluralist conceptions, there does not necessarily exist only a single form of culture within any organisation (Schein 2016). Different sub-cultures/distinct cultures can exist at different organisational levels: that is, team-level, and board-level. (Scholars have found a range from three (Wimbush *et al.* 1997) to nine (Peterson 2002).)

3 THE IMPORTANCE OF CULTURE

With a clearer idea of how to conceptualise the construct of corporate culture, let us now consider why different aspects of culture are important for an organisation. For a long time, culture was considered to be of lesser importance for organisational performance than, for example, strategy. However, more recent literature suggests a greater importance of culture. The following subsection summarises arguments highlighting the importance of culture with respect to three main areas—strategy implementation, business performance, and politics.

First of all, it should be noted that the importance of corporate culture (and elements thereof) can differ according to industry. Contingency theorists (e.g., Lawrence & Lorsch 1967, Thompson 1967) highlight that not all the elements of culture which have been pointed out above, are equally important. As straightforward as this might seem (that is, that in manufacturing the quality culture is more salient whereas in a sales organisation, the focus will be on a culture that encourages good relationships with customers), it is nonetheless important to bear in mind for the following discussion (Detert *et al.* 2000). It is also important to remember that we are relying on an integrated understanding of culture, which means that the importance of the respective

five elements outlined in the previous section differs in each of the respective importance dimensions below.

3.1 ‘Culture eats strategy for breakfast’²

Most recent contributions to this field emphasise the relationship between culture and strategy and have shown that culture can function as the facilitator of strategy. Whereas strategy ‘provides clarity and focus for collective action and decision making’ (Groysberg *et al.* 2018: 4), culture facilitates (or hinders) the successful implementation of strategy. As the last section of this paper will further elaborate it, this relationship is particularly strongly pronounced with respect to the implementation of technological change. According to a study by the McKinsey Global Institute (MGI), culture is the most significant hindrance to digital effectiveness. The lack of appropriate cultural change is perceived to be even more important than, for example, the lack of IT infrastructure.

MGI’s research suggests that it is crucial for corporations to intentionally change their culture in order to be better able to deal with the changes effected by digitisation rather than waiting for the culture change to happen by itself. Goran *et al.* (2017) show a clear correlation between negative business performance and cultural obstacles due to a slowly changing corporate culture. It is suggested that an early adoption of and investment in cultural change in response to digitisation can make a significant difference and allow corporations to be more responsive to customer demands, less risk averse, and to ensure greater interaction across different business units.

A similar conclusion is reached by Groysberg *et al.*, who emphasise that corporate culture, here understood with a particular emphasis on the ‘culture as a social phenomenon’ and ‘culture as concerning values’—that is, as the implicit social order of an organisation which shapes its employees’ values and attitudes—is essential in maintaining an organisation’s viability and effectiveness (Groysberg *et al.* 2018). As ‘[C]ulture expresses goals through values and beliefs and guides activity through shared assumptions and group norms’ (3), it is therefore essential in facilitating the deliverance of strategy. However, the literature also emphasises that this insight regarding the importance of culture is not (yet) shared by all leaders. It has been observed that, despite its importance, the propagation of culture is often seen to be of lower priority and the human resources department, to which culture development is often delegated, sometimes lacks power. One of the reasons for this is that culture’s elusive nature (in addition to the conceptual unclarity seen in the section above), makes it

²Although there are debates about the true origin of this quote, it has commonly been attributed to the management consultant Peter Drucker.

harder for organisations to derive specific means and measures which would facilitate its measurement and active management.

Despite this, culture is claimed by many to be crucial: ‘When properly aligned with personal values, drives, and needs, culture can unleash tremendous amounts of energy toward a shared purpose and foster an organisation’s capacity to thrive’ (Groysberg *et al.* 2018: 4). This claim is based not only on Groysberg *et al.*’s review of the academic literature but also on their practical experience. Importantly, they emphasise that culture’s positive effect in delivering strategy and hence leading to better business performance relies on the alignment of culture and strategy (Groysberg *et al.* 2018: 8). The thought seems to be that, if culture and strategy are coherent, by having internalised the corporation’s values, employees will act and decide such that they work towards delivering the respective strategy.

On the other hand, culture’s importance can also be deduced from negative examples. The above-mentioned MGI study also emphasises that a ‘false’ corporate culture, understood as misaligned with the corporation’s strategy (and purpose), can also inhibit changes. This is particularly pertinent with respect to adapting to digitisation. For instance, in a software company which aims at developing new software products, it is essential that developers have the freedom to exchange their ideas as well as test and try them for proof of concept. Here, examples of the ineffective or damaging cultures are: thinking in silos (rather than all parts of the company being organised as a network where information travels easily); excessive risk aversion; an overall non-digital culture (lack of experience with digital tools). Along these lines, the Salz Review of the banking sector (Salz 2013) also finds that the culture of an organisation, here with a special emphasis on trust, can ‘defeat its formal governance’ (FSB 2017: 5).

3.2 Culture and business performance

If culture is so strongly linked to strategy, it will not come as a surprise that it also is intricately connected to business performance. Heskett, for example, highlights that culture may ‘account for 20–30% of the differential in corporate performance when compared with ‘culturally unremarkable’ competitors’ (Heskett, as quoted in Coleman 2013: 2).

Along these lines, it has also been pointed out that culture can facilitate financial stability. The authors of the FSB (Financial Stability Board) report, for example, emphasise that culture (here understood in the context of corporate governance) ‘is critical to financial stability’ (FSB 2017: 1) and hence to performance. Other studies, that have tried to quantify the relationship between culture and business performance confirm that there is a positive relationship. Boyce *et al.* (2015) have collected data

from ninety-five automobile dealers over six years in order to find out whether culture influences performance or whether the direction of the relationship is the other way around. Their results show ‘that culture “comes first”’ (Boyce *et al.* 2015).

The relationship between culture and business performance has also been highlighted in examples of poor performance. The Salz Review, which is a review of culture in Barclays Bank after the LIBOR rigging scandal (Salz 2013), finds that, ‘[i]n many instances of misconduct, there is evidence that the norms and expectations that most strongly influence behaviour within financial institutions can be very different from the institutions’ stated values and policies’ (FSB 2017: 4). The Salz Review emphasises that the norms and values encapsulated in a corporation’s culture influence business performance—not only in the narrow sense of economic performance, but also in the sense of conduct: that is, compliance with the law.

Whereas these studies emphasise the relationship between culture and performance from an internal perspective, the link between culture and performance from an external perspective has also been made. Kreps (1986), for example, highlights that a good reputation can be seen as an asset that can attract investments. Reputation, in turn, is closely related to a firm’s culture, as the corporate culture influences how (positively or negatively) employees speak about their firm. A prominent recent example of this is the case of Uber’s founder and then-CEO, Travis Kalanick, being made to leave after a senior engineer publicly wrote about the culture of sexism at Uber (O’Brien 2018). It seems clear to analysts that its ruthless culture has been the driver for this and other scandals (such as covering of data hacks) and, respectively, for its negative reputation. The board’s action to let go of the CEO-founder is an indication of the fear of negative impacts of the culture he instilled on the company’s reputation and business performance. Thus, the example of Uber supports Kreps’ theory in the negative and shows the influence of corporate culture on reputation and the possible link to performance from an investor’s perspective.

3.3 Culture and political influence

In addition to culture being discussed as important in relation to business performance and strategy, culture has come to be seen as important in relation to politics. For instance, it has been pointed out that in non-Western, non-capitalist contexts, such as China, the manipulation of corporate culture can be a tool that allows government to further its (socialist) agenda (in non-capitalist countries). Hawes (2008), for example, holds that, ‘[b]uilding a progressive corporate culture is a significant factor in strengthening the [Communist] Party’s hold on power, in forcefully developing a progressive socialist culture, and in building a harmonious socialist society.’ (Chinese Supervision and Administration Commission of the State Council (SASAC) Guiding Opinion

Article (2005) as cited in Hawes 2008: 40). By a similar token, it has been pointed out that a particular political culture can have a strong influence on a corporation's culture. It has been suggested that this has been a contributing aspect to the situation that TeliaSonera found itself in: that is, having to deal with how the political culture in its Eastern European operations influenced its business culture, which differed from the culture in its headquarters in Sweden (FOTC virtual roundtable discussion, April 2018).

To conclude, it should be noted that the literature emphasises the importance corporate culture can have in furthering political agendas or in adopting a certain political culture. However, what has not been sufficiently established in the literature is whether this is more than a correlation and what is the direction of influence between politics and corporate culture.

Thus, a survey of the literature as well as a consideration of case examples indicates that corporate culture is important, amongst other factors, in the areas of strategy implementation, business performance and with respect to how a corporation deals with the given politics of the market where it does business.

4 THE MEASUREMENT OF CULTURE

4.1 Methodologies

Frameworks that aim to measure the construct of culture itself rely on quantitative or qualitative measures, or a combination of both. Qualitative measures consist of controlled interviews with an organisation's leadership and employees as well as employee, customer, and other stakeholder surveys and focus groups (Salz 2013, Savitz 2013). While these surveys and interviews have traditionally formed the core of culture research, these qualitative methods are increasingly combined with quantitative measures (Mayer 2014: 273). Most recently, some have employed meta-analyses of employee online behaviour, such as the frequency and idiomatic patterns of e-mail exchanges, as contributing inputs to measure an organisation's culture (British Academy 2018).

4.2 Measurement frameworks

To provide a top-level summary of our results, we have captured the commonalities of these frameworks in Table 1, surveying whether frameworks employ a strictly ethical conceptualisation of culture or a mixed one that measures other elements, the number of attributes that the framework tracks, and how many dimensions it has. One observation to make here is that the popularity of their application does not seem to correlate with the complexity of frameworks and number of attributes they track.

Table 1. Comparison of widely used measurement frameworks.

Commonalities of frameworks	Ethical vs. mixed-ethical	Number of attributes tracked	Single vs. multidimensional
OCAI	mixed-ethical	4	multidimensional
OCM	mixed-ethical	3	multidimensional
ECQ	ethical	2	multidimensional
CEV	ethical	5	unidimensional
OCS	mixed-ethical	4	multidimensional
OCP	mixed-ethical	5–7	multidimensional
ECI	ethical	10	multidimensional
CEVM	ethical	7	multidimensional

In what follows we provide a more elaborate survey of the measures compared in the above table, to give the reader a flavour of how extant approaches attempt to measure the construct of culture. These measurement frameworks either rely on extant definitions of culture similar to or adopting one of the definitions that we surveyed in Section 2, or they propose conceptualisations of their own that can be captured by our proposed integrative definition.

Organisational Culture Assessment Instrument (OCAI)

This influential framework is based on the so-called competing values framework (Quinn & Rohrbaugh 1983) and consists of six questions. These are labelled dominant characteristics, organisational leadership, management of employees, organisation glue, strategic emphases, and criteria for success. Each question contains alternatives that correspond to one of the four organisational values of the Competing Values Framework: clan (commitment to employees, participation and teamwork), adhocracy (dynamic and entrepreneur organisations, cutting-edge output, innovation), hierarchy (formalised and structured organisations, smooth functioning, stability), and market (competitive organisations, increasing market share, productivity). There is evidence that the framework is correlated with important organisational outcomes, such as employee job satisfaction and commitment, customer satisfaction, and market value (Gregory *et al.* 2009, Hartnell *et al.* 2011).

Organisational Culture Model (OCM)

The OCM model aims to provide a dynamic account of organisational culture and consists of three levels: (1) artefacts and symbols, (2) espoused values, and (3) basic underlying assumptions (also known as the Iceberg Theory given that, according to the Scheins' framework, most of the constituent elements of culture are unlikely to be visible). Artefacts concern the surface of an organisation and concern visible elements

of an organisation. Espoused values concern an organisation's standards, values, and rules of conduct. Thirdly, basic underlying assumptions are deeply embedded in organisational culture and experienced as self-evident and unconscious behaviour.

Ethical Climate Questionnaire (ECQ)

The ECQ model is another popular model (Victor & Cullen 1987, 1988). Victor and Cullen define climate as 'the shared perception of what is correct behaviour, and how ethical situations should be handled in an organisation' (Victor & Cullen 1987: 51). The framework has two dimensions to highlight different types of ethical climates. The first is the ethical criterion, which aims to cover three main schools of ethical theory: (a) egoism (maximising of self-interest), (b) benevolence (maximising joint interest), and (c) deontology or principle (adhering to a principle) (Fritzsche & Becker 1984, Williams 1985). The second dimension is called the *locus of analysis* and focuses on one of three potential referents for one's actions: the self (oneself), the local (one's organisation or subunit), and the cosmopolitan (the environment external to the organisation).

Corporate Ethics Values (CEV)

The CEV model's main idea is that an organisation's culture concerns its ethical values. Hunt *et al.* define (1989: 80) corporate ethical values as 'values that help establish and maintain the standards that delineate the "right" things to do and the things "worth doing" ' and develop a five-item measure to assess the ethical values so construed. Several subsequent culture assessments have relied on this operationalisation (Burnaz *et al.* 2010, Douglas *et al.* 2001, Rubin *et al.* 2010, Sweeney *et al.* 2010).

Organisational Culture Survey (OCS)

Denison (1990) and Denison & Neale's (2000) framework uses the same underlying dimensions of the CVF introduced previously, combining the ideas of flexibility versus stability and internal versus external orientation to create a four-cell matrix (clan, adhocracy, hierarchy, market). The OCS is a 60-item survey that consists of four dimensions, which each split into three further sub-dimensions: involvement, consistency, adaptability, and mission. These correspond, *inter alia*, to the extent to which employees can affect decisions, the extent to which an organisation's beliefs and values align with its policies in practice, the extent to which the organisation can adapt to its environment and customers, and the extent to which the organisation has a clear vision and purpose (Denison 1990, Denison *et al.* 2012, Kotra *et al.* 2012).

Organisation Culture Profile (OCP)

The OCP is another common cultural assessment tool. It is a 54-item survey that asks participants to sort values or attributes from most to least characteristic of their organisation. Relevant dimensions captured by the OCP vary according to study. For example, O'Reilly *et al.* (1991) proposed eight dimensions captured by the OCP: innovation, stability, respect for people, outcome, orientation, attention to detail, team orientation, and aggressiveness; while Chatman and Jehn (1994) modified some of these and Lee and Yu (2004) only confirmed five.

Ethical Culture Index (ECI)

The ECI model seeks to integrate previous literature on culture and climate and defines culture as a 'multidimensional interplay among various "formal" and "informal" systems of behavioural control that are capable of promoting either ethical or unethical behaviour' (Treviño *et al.* 1998: 451). Examples of formal parts of this system include policies, leadership, authority structures, reward systems, and training programmes; examples of informal systems focus on the behaviour of others with respect to ethical norms. The model integrates a 21-item measure based on this definition (subsequently used in several articles: e.g. Key, 1999, Schaubroeck *et al.* 2012, Shi & Chen 2006, Tsai & Shih 2005, Zhang *et al.* 2009a, 2009b) with a 26-item ethical climate questionnaire developed by Victor and Cullen (1987, 1988), resulting in a ten-dimensional measure which covers: ethical environment, employee-focused climate, community-focused climate, obedience to authority, code implementation, self-interest climate, efficiency climate, rules and procedures climate, personal ethics climate, and law and professional codes climate.

Corporate Ethics Virtues Model (CEVM)

The CEV model draws on Solomon's (1992, 1999, 2000, 2004) virtue-based theory of business ethics. Kaptein suggests that virtuous companies can develop a culture that stimulates ethical behaviour and prevents unethical behaviour, and defines corporate ethical virtues as 'the organisational conditions for ethical conduct; they reflect the capacity of an organisation to stimulate ethical conduct of employees' (1998: 924). The CEV model assesses seven key organisational virtues that comprise an organisation's culture: clarity, congruency, feasibility, supportability, transparency, discussability, and sanctionability (Kaptein 1998). The CEV keeps being continuously developed (Kaptein 2011a, 2011b) and several articles have employed the model (Huhtala *et al.* 2011, Webb 2012).

4.3 Consistency of employed measures

Most studies use variations of the measurements of culture introduced above that either modify a single measure for a study, combine it with other frameworks, or devise an entirely new measure (for example, some adopt the full 36-item measure, while other studies employ 26- or 16-item versions of the ECQ). For example, work by Pierce and Sweeney (2010) employs five items from Hunt *et al.*'s (1989) approach and combines it with six items from Treviño *et al.* (1998). Work by Koh and Boo (2001) uses a combination of items from Hunt *et al.*, Treviño *et al.*, and Victor and Cullen (1987, 1988). Other studies develop their own conceptualisations, but do not make them explicit in their research (Wittayapoom & Limsuwan 2012). As Mayer thus (2014: 433) observes, 'there is little consistency in the use of measures or manipulations of ethical culture in the literature. Although more than 30 articles have examined ethical culture, the most any one measure or manipulation of ethical culture has been used is six times.'

We note that the rationale for why a given measure of organisational culture has been chosen for a study or why a chosen measures' items have been selected or modified is often not articulated in studies. For example, Webb (2012) merely notes that the measure by Kaptein (2008) proved fruitful for the purpose of the study without specifying further the merits of the chosen approach. Other studies fare better, arguing that some of the adopted items—in this case the focus on law and code and rule dimensions from Victor and Cullen's (1988) typology—are more positively associated with work outcomes at which the research is aimed.

It is worth highlighting that the lack of provision of a rationale for the employment of a given measure is problematic, insofar as not all of them are equally suitable. Rather, the measurement chosen is likely to depend on certain variables, such as the size of an organisation (Halaj 2017: 626). One neglected issue for the measurement literature of organisational culture is consequently to consider the criteria that make the application of a given framework more or less suitable.

5 THE OPERATIONALISATION OF CULTURE

With a better understanding of how corporate culture can be measured, we can now turn to discussing the extent to which culture can be a supporting factor when operationalising organisational changes or making an organisation more attractive as a place to work. Independent of the aim, in order for culture to be more than empty words written on the organisation's wall, culture needs to be embedded in the organisation's practices (Coleman 2013). McKinsey, for example, brands itself as daring to

tell its clients the ‘uncomfortable’ but ‘real truth’. Likewise, its employees are encouraged to dissent if they think that a superior’s proposed solution will have negative results (Coleman 2013: 3).

5.1 Corporate culture and innovation

One of the key examples of operationalising a corporate culture that fosters innovation has been termed ‘innovation parenting’ (Ishak 2017). This term is based on a comparison between how parents ensure their children learn the values that are important to the family whilst giving them enough space to develop their own personalities.

‘Innovation parenting’ refers to a number of different aspects, starting with making sure that employees internalise the values of the company. First of all, this entails that the innovation leaders (for example, chief technologists) live the core values and strategic priorities of the organisation, lead by example, and allow their colleagues enough freedom to explore new business opportunities or different technologies. In other words, corporate culture needs to be *internalised* to allow for successful innovation. Ishak argues that it is crucial to develop a culture of trust in order to give employees sufficient freedom to explore creative ways of problem-solving (Ishak 2017).

For leadership teams, this also means ensuring flat hierarchies and avoiding micromanagement. Arguably, this is what Silicon Valley start-ups have realised and is part of their success. A prominent example of this is Facebook’s famous ‘Move fast, and break things’ motto. To achieve this, Facebook is organised along flat hierarchies and small teams that are actually able to move fast—in terms of team size but also in terms of permissions to take decisions. As Facebook itself states, it is defined by its ‘hacker culture—an environment that rewards creative problem solving and rapid decision making’ (Facebook 2018). Of course, the ongoing ‘Cambridge Analytica scandal’ raises questions with respect to what this culture does to the ethical behaviour of the company, but it does appear to further innovation (Feloni 2016).

5.2 Culture change and employee’s demands

Research shows that workers prefer flexible and independent work. Companies wanting to respond to workers’ preferences should change their culture and can use the latest technology to support this. An example of this are apps that allow employees on storefronts to see where they might be needed more at peak times. Not only does this a quicker response to customer needs but it also gives employees a higher degree of autonomy at their workplace. Autonomy in turn is a value that Millennials

particularly demand (FOTC one-day conference, British Academy, May 2018). Importantly, a corporation's culture is crucial in ensuring the quality of work while work is organised in a more flexible and independent way.

The literature also highlights the extent to which corporate culture influences the (mis-)conduct of their employees. For example, culture plays a necessary role in the workplace. Since '[v]alues drive everyday behaviour, helping to define what is normal and acceptable, explaining how things ought to be (for example, staff ought to put customers first). Values provide a framework through which the natural and often difficult conflicts that arise in people's day-to-day work can be resolved' (Salz 20013: 79–80). The FSB report also finds that culture is an important factor with respect to misconduct or industry hazards: 'In some cases the culture was limited to the organisation, but in others it was the culture of the industry as a whole' (FSB 2017: 65).

Corporate culture is also linked to having an impact on individuals' behaviour (outside the workplace). For example, Schlicht (2004) who analyses whether individuals in 'capitalism' tend to be, as is often assumed, selfish and competitive and finds that, 'In cases where motivation, involvement, and commitment are important, selfishness may be outcompeted by generosity' (241). Along similar lines, Williamson *et al.* (2009) find that there is a link between culture (responded to by different kinds of rewards) and employees' behaviour (in this case: commitment). The example of the Chinese government relying on corporate culture to form loyal citizens also points to this. Here, as Hawes argues, corporate culture helps corporations to 'produce' employees who are well educated, cultivated, and highly motivated as well as loyal citizens (Hawes 2008: 42).

5.3 Corporate culture and space

An organisation's building or the way the offices are designed can be a significant contributing factor in operationalising culture. There are a number of examples that illustrate this relationship. Commonly cited is Pixar's open atrium, which facilitates employees running into each other coincidentally and chatting about new ideas and problems they are currently facing (Coleman 2013). Google is known for creating office environments that resemble living rooms, jungles, or libraries and thereby hoping to inspire their employees' creativity. Although the literature lacks large-scale empirical examples establishing more than a correlation between innovative office spaces and innovative business ideas, the literature seems to be rather confident that these kinds of relationships (for example, between open office spaces and increased collaboration) exist (Coleman 2013).

Culture can also be implemented through the choice of office locations. In Europe, major concentrations of start-ups exist in London, Berlin, and Lisbon. Although

some authors recognise the initial reasons for this being linked to inexpensive office space, it is widely held that many organisations are now choosing these cities as employees find it attractive to live there. Companies based in Berlin, and preferably having chosen to revamp an old industrial complex as their office space, are considered to be ‘avant-garde’ (examples are Zalando, RocketInternet).

5.4 Corporate culture change and (gender) diversity

‘Empowerment and skill-building, not shaming and blaming, are key to engaging men as advocates for change.’

Prime (2013)

The attention on issues surrounding diversity has increased significantly. Two main reasons seem to be the key drivers of the increased attention on diversity. The first is that research has shown that diverse teams are more productive.³ The second one is egalitarian: focussing on the injustice of excluding certain gender or ethnic groups from private corporations. It is not the aim of this paper to assess whether or not the reasons for focussing on increasing diversity in corporations are justified.⁴ What we focus on instead is the research which has been conducted with respect to the question to what extent corporate culture has an influence on diversity.

5.5 Single-gender dominated culture

Examples of male-dominated business culture are plentiful. A study by the head-hunting firm Harvey Nash together with Inspire has found that ‘[m]ale-dominated corporate culture is the biggest barrier for women reaching board level’ (Newcombe 2013): 25 per cent of the respondents (600 directors, CEOs, and senior executives) report the belief that male-dominated culture is the ‘single biggest barrier to progression’ (Newcombe 2013). It is not uncommon that a predominantly male corporate culture will lead women to leave their employer, with the result that, if women leave their corporate careers early, ‘organisations risk disconnecting with their customers, weakening their competitive edge and missing out on further opportunities. This isn’t a talent issue, it’s simply a bottom-line business issue’ (A. Bailey, as cited in Newcombe 2013).

³ According to Desvaux *et al.* (2010) ‘companies with top quartile representation of women in executive committees perform significantly better than companies with no women at the top.’ On average, they have 47 per cent more return on equity and 55 per cent more average earnings before taxes (Devillard *et al.* 2013).

⁴ For further information regarding the importance of female representation on boards, see Higgs (2003).

How prevalent can such a predominantly male (or female) culture be, one might wonder. Cohen (2013) finds that there are areas in which gendered segregation is the norm. In the United States, 26 per cent of workers are in professions which are dominated by a single sex (90 per cent single sex). Prominent examples include truck drivers and nurses. Among the 69 per cent of workers who work in ‘merely very-segregated’ occupations, they are ‘at least two-thirds single sex’ (Cohen 2013). This includes, primary teachers, for example. Cohen takes these to highlight how common sexual harassment can be where the culture is male dominated: She concludes that ‘just like peer culture can prevail over parents’ grownup interventions when it comes to socialising adolescents, workplace culture spills over into family life, as men in male-dominated jobs (such as police officers) or female-dominated jobs (where their masculinity is threatened) [can] perpetrate violence at home’ (Cohen 2013).

5.6 Mainstream-identity dominated culture

The negative effects of an exclusive corporate culture are, however, not only linked to gender. Prime (2013), for example, emphasises the negative effects of a predominantly *white* male culture. She argues that ‘[t]aking advantage of workplace diversity is one of the critical challenges of leadership. Organisations with a track record of developing leaders from a particular background are likely to be suffering from diversity, inclusion, and leadership problems at the same time.’ The question is, where does a ‘white-male-dominated culture’ begin and how can you change it. The example of Rockwell Automation (a global engineering company) trying to diversify its North American sales division provides a good example. Instead of just having the aim of ‘diversification’ tagged to its recruiting strategy, Rockwell focussed on changing its (white-male-dominated) culture first. This involved, first and foremost, understanding what makes the experiences of white males different from those of other identity groups. This involved a series of workshops that would allow Rockwell’s employees to reflect on the advantages their identity would bring them and how their experiences at work were different from those of people from other identity groups. A study that was conducted after these workshops showed that these exercises did ‘have a transformative effect, shifting both the mindsets and behaviors of participants’ (Foust-Cummings *et al.* 2012).

Among other things, this example shows well the extent to which *awareness* and shifting the *mindset* can be crucial first steps to changing the culture. As Prime puts it, ‘This [was] a critical lesson for other organisations: rather than feeling responsible for group-based inequities that they did not create, white male managers should feel empowered and equipped to lead the creation of an inclusive workplace’ (Prime 2013).

5.7 Leadership and culture change

Before we close, let us consider the role of leadership in culture change. Here we want to pay particular attention to the ways in which leadership has been seen to relate to organisational culture change and to what extent culture can be managed.

The literature on leadership culture change can be divided into two extreme camps: the view according to which leaders have little to no influence on culture and the view according to which they have strong influence, with a more moderate position falling between these two. Examples of incompatibilist positions are those of Meek (1988), Alvesson and Berg (1992), and Martin and Siehl (1983: 53). The latter see the influence that managers can have on culture as only very limited: 'It may be that cultures cannot be straightforwardly created or managed by individuals. Instead, cultures may simply exist and managers may capitalize on culture effects they perceive as positive or minimize those perceived as negative.' Compatibilist positions are proposed by Tichy (1982), Turnstall (1983), Cameron and Quinn (2011), and Deal and Kennedy (1982), who break down culture change into a series of steps.

In addition to the above discussion regarding the relationship between culture and innovation, it has also been proposed that leaders have a significant impact on creating an innovation culture. Closely related to this are well-known examples of companies where the founder of the company has a significant impact on corporate culture. Mark Zuckerberg for Facebook or Steve Jobs for Apple come to mind. With respect to Facebook, this influence is particularly visible. As a company that was (allegedly) started in Zuckerberg's dorm room, it is among the few top US corporations where the CEO only wears a suit when he has to testify in front of Congress. Appearance aside, the influence of Zuckerberg's ambition and technology-driven mindset defines Facebook's culture as whole (British Academy 2018).

More moderate positions acknowledge that the extent to which leaders can influence and manage organisational culture depends on a multitude of factors, such as the stage of an organisation's life cycle, whether it is in its early or more mature stage; the level of the organisation (subunit or entire organisation); the presence of a need for change (for example, due to a crisis); and the ability of the relevant leaders (Louis 1985; see also Alvesson & Sveningsson 2008). For example, Lundberg (1985) proposes a range of conditions that make change in an organisation's culture feasible for its leadership, where whether these conditions obtain determines the likelihood that the change will be successful. He proposes four conditions: external enabling conditions, which concern the existence of threats in the external environment; internal enabling conditions, which relate to the intra-organisational capabilities to make culture change successful; precipitating pressures, which concern performance demands, or crises (real or perceived); and triggering events, which are understood as

the most proximal conditions for culture change, involving large changes to the organisation's environment, such as radical changes in the management team.

This section has shown that corporate culture can be operationalised and changed in a number of different ways. The areas that the current literature highlights are the extent to which a certain corporate culture can further (hinder) innovation. We have also discussed how corporate culture can be used to capture employees' changing demands and needs and that the implementation of culture is not restricted to workshops and value statements, but can be as concrete as designing the workspace in a particular way. Lastly, it has been shown that culture is an important element in increasing diversity and that, on the whole, leadership is seen to be instrumental to implementing (or changing) culture.

6 CONCLUSION AND OUTLOOK FOR FUTURE RESEARCH

6.1 Future research on culture

In the context of the future of the corporation, this paper has reviewed recent contributions on corporate culture. We have started by organising the various ways in which culture is understood in the literature (Section 2), why it is important (Section 3), how it can be measured (Section 4), and, lastly, how culture can be implemented and changed (Section 5). We proposed that the various definitions of culture display five key features: culture is understood as a social, scalar, multi-layered phenomenon that is concerned with values and related to action. Section 3 highlighted that culture is significant with respect to the implementation of strategy, business performance, and to how a corporation deals with the socio-political context within which it is situated. With these insights in mind, Section 4 provided an overview of the different measurement methods to capture the (potential) effectiveness of culture. The final section discussed different ways in which culture can be operationalised.

Based on our survey of the culture literature, the following points of interest for further research for each of our dimensions can be identified:

- A clear conceptual definition of culture that encompasses the five features that we highlighted and explains how, if at all, culture relates to the conceptual construct of organisational climate.
- Further evidence on the (causal) relationship between areas in which culture is considered to be important (especially with respect to culture and politics).
- There is a need for a closer examination of the conditions that influence the appropriateness of different measurement frameworks of the construct of culture.

- A coherent study of best (and worst) practice examples of the operationalisation of culture. Currently, the literature is (mostly) based on anecdotal evidence, with different measures for the success of the operationalisation of culture. The insights would be strengthened by a more holistic study of different approaches to operationalising culture.

6.2 Future research: culture and purpose

Throughout this discussion it has become clear that culture alone is only one ingredient of the recipe that leads to a (good) corporation of the future. Culture is closely connected to a number of areas, most closely to the question of the corporation's purpose, which is something that our interviewees highlighted (see also British Academy 2018). Some might want to argue that a specific culture can shape the way the corporation understands its role in society: that is, its social purpose. However, others emphasise that purpose is the foundation for culture. Salz, for example, emphasises that '[c]ulture ... gets determined by the way the group shares and acts upon its collective sense of purpose' (Salz 2013: 79). Furthermore, employee surveys demonstrate two crucial findings: first, that employees consider a workplace to be a 'good' one if they experience a sense of meaning or purpose in their work and, secondly, if the culture of the corporation is such that employees feel included and treated fairly. Whereas it might be easier to put these values into practice in environments of higher skilled work, it is particularly important to do so for lower skilled work environments as well. Research from the MGI shows that, even in environments which are traditionally considered to be particularly apt to award pay rises, the increase in remuneration becomes less important to employees vis-à-vis non-material values.

However, this kind of research shows only that there *is* some kind of influence between the purpose of a corporation, its culture (and employees' attitude to work). Based on this review, some immediate next steps to address in future research are thus:

- The direction and kind of influence between corporate culture and purpose: For instance, the exact relationship between corporate culture and purpose should be clarified. Is the achievement of an organisation's purpose dependent on its culture? What is the causal direction of fit between the two constructs?
- Possibility and potential success of a combined measurement framework: Insofar as both culture and purpose are inextricably linked, can they be measured in a combined framework? If so, how can they be measured in a combined framework?

- The role of leadership for the operationalisation of both corporate culture and influence: It seems clear that the leadership has *an* influence on corporate culture. However, the existing literature does not sufficiently discuss evidence of the importance of the leadership's focus on culture. Moreover, the discussion could profit significantly from an in-depth analysis of best-practice examples of how the leadership can implement culture change.
- The current research on both purpose and culture shows that the two are very closely linked. Hence, the field would benefit from a systematic study along the dimensions suggested here.

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