Corporate Culture

Specification requirement— Corporate cultures and their implications for an organisation and its various stakeholders.

What is a Corporate Culture?

Put in simple terms, corporate or business culture is the personality of the organisation. This corporate culture is made up of the assumptions, values, standards (moral and financial) and behaviour of organisation members. We can therefore say that business culture is the shared meanings or common beliefs present among an organisation's members.

Culture is one of those terms that's difficult to express distinctly, but everyone knows it when they sense it. For example, the culture of a large, for-profit corporation is quite different than that of a hospital, which is focused on the patient, which is again quite different that that of a university.

A recent report into the Metropolitan Police identified the service as being 'institutionally racist'. – Could this be regarded as a fair reflection of the personality of this organization?

If there is a strong corporate culture employees can soon come to sense the particular culture of the business, and adopt it in the way they work, the way they relate to management and colleagues and in the way that they deal with customers. This adoption of the firms culture ensures the culture is passed on as new workers are recruited.

Types of Culture

There is no best or worst type of culture, any business that has been around long enough to have a recognisable culture, must be successful just to have survived. But each type of culture can have advantages and disadvantages, and as circumstances change, then unless the disadvantages can be overcome the long term existence of the business can be jeopardised.

Centralised or Leader Centric Culture.

Here the leader, who is likely to be a successful entrepreneur sets the culture. Often, a company's founder has great influence in the initial values and principles instilled. For example, many people know about Richard Branson and Walt Disney, two very strong figures who emphasized quality and service in their respective companies, but at the same time created businesses with different cultures. Disney was and is authoritarian in nature, whilst Virgin is much more inclusive, more like a club.

The leader is:

- a model of how to operate within the firm
- a symbol of who gets ahead
- a guardian of the status quo
- a product of the culture

Risk taking culture

It could of course be argued that virtually all business decisions involve risk taking, after all the outcome is never completely certain. But there is a huge difference between playing it safe and risk taking.

In a risk taking culture outspoken and non conformist staff members are never sanctioned or even fired for breaching the firms normal methods of behaviour, in fact if the risk they take pays off, they can be highly rewarded . Leaders will praise an employee's willingness to take a chance.

The major advantage of a risk taking culture is that it can lead to rapid innovation of new ideas, methods and products. But this does mean that there is a need to support individuals with good ideas or innovations to see and to see entrepreneurship as a natural part of the workplace . And if the idea fails, learn from the failure and move on.

But risk taking is not necessarily a good thing, in fact a recent survey of business executives has found that 89 per cent believe a culture of encouraging and rewarding excessive risk contributed to the financial crisis sweeping the world, and governments are now trying to find ways to limit the risks taken by financial institutions.

Socially Aware Culture.

A socially aware business is one that is aware of the impact of the firms activities on all stakeholder groups and will therefore act in a way that minimises negative effects upon and bring greatest benefits to these stakeholder groups.

The Co-operative Bank is a good example of a socially aware business, it does not invest in non-ethical investments such as tobacco companies, and arms manufacturers. The Co-op Bank (CFS), says that its values include:

- Being customer focused
  We always aim to satisfy our customers and exceed their expectations where we can.
- Making work fun
  We're proud of CFS and know that we can contribute to making it a great place to work.
- Social responsibility
  We're committed to leading the way on ethical, environmental and community issues.
- Openness and honesty
  We work hard to earn credibility and trust from our customers and each other.

There are a number of advantages to adopting this type of culture, these include

Winning custom from the ethical consumer

Avoidance of bad publicity which may damage the brand.

Reduction of risk (The co-op bank has avoided most of the impact of the recent banking crisis)

Attracting high quality staff who are committed to maintaining the culture.

Club Culture.

The most important requirement for employees in this culture is to fit into the group.

Usually employees start at the bottom and stay with the firm. The organisation promotes from within and highly values seniority, and experience of the industry. Examples are the military, law firms, oil companies. If your face fits, you play a good game of golf—then promotion is yours.

Effects of a strong corporate culture.

A strong corporate culture of any type can mean

- A clear identity in the eyes of customers _ 'what you see is what you get'
- An understanding of the sort of employees and recruits who will fit in.
- Questioning of the culture is not done—this mean change can be difficult to achieve.
- A successful corporate culture can work across national cultures—McDonalds is the same in France as it is in Russia as it is in the UK

Culture change with business growth.

As businesses grow the culture they have can change. A leader centric culture is often a feature of small firms. This type of culture has several advantages.

- The power of this leader makes authority highly centralized--power resides in one individual. The organization feels stable and secure--it has a clear leader.
- All are focused on the success of the firm--the external challenges that are presented in the industry & marketplace. It is dynamic and exciting world and far from a bureaucracy
- Employees are made to feel that they are part of a family

As firms grow, these things become increasingly difficult or impossible to maintain. The effects of this growth are:

- Management often has a lot to lose so risk taking is reduced
- Management may become more controlling and allows less independence and individuality
- The organisation and its management becomes preoccupied with internal issues
- There is a loss of family feeling
- Workers become less sociable
- Management becomes less supportive of employees
- Its leaders are less open to sharing information
- There is less teamwork

All meaning that

- Management is more stressed
- Employees are having less fun
- Everyone feels lower job satisfaction

Changing culture for the better.

An understanding of the concept of culture is particularly important when attempting to manage organisation-wide change. Consultants and managers are coming to realize that, despite the best-laid plans, organisational change must include not only changing structures and processes (working practices and technology), but also changing the corporate culture as well. Culture improvement can be difficult, there are many people with vested interests in maintaining the status quo. A leader may have to be convinced their time has passed, it is time to hand over to someone who is now more suited to the role. Managers may have to give up responsibility and power—things they have worked hard to gain. Workers may have to retrain, become involved in quality issues, take responsibility for their output. These changes are time-consuming, destabilising, and expensive.

Conclusion

Culture is important, so much so that many firms ensure that recruits are trained in the ways of the business. Training that includes understanding the corporate culture like that provided at Disney University or McDonalds Hamburger University, is one good way to get everyone in the company to share the same vision and values. This type of training (indoctrination) ensures that all involved buy into the company ethos, and develop good habits - so that doing the "right" things come naturally.

Every business has a culture, it may be an obvious business ethic as in the case of Body Shop, or a less obvious lack of financial ethics and an overwhelming arrogance and ignorance of risk as in the case Enron or any number of banks. Other types of business culture will influence how change can be managed, how communication systems operate, the firms relationships with customers and whether employees are able to contribute to their maximum.

Notes