



Organizational Culture and Leadership

by Edgar H. Schein
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Take-Aways

- The word "culture" is abstract, but the phenomena it describes are concrete and very powerful.
- Culture is what differentiates an organization from a random collection of people.
- Culture develops as an organization goes beyond mere compliance with its leaders' methods to sharing the leader's values.
- Culture is a product of the lessons a group learns as it successfully solves problems.
- Embed, reinforce and transmit organizational culture through such decisions as what you pay attention to, whom you reward and how you allocate resources.
- You can interpret visible artifacts such as dress style, office design or behavioral standards only when you understand an organization's culture.
- Culture can go so deep that members of the organization may not themselves understand why they behave as they do.
- Do not undertake a cultural assessment except to solve well-defined problems.
- Cultural change involves unlearning as well as learning.
- The primary job of the leader is to manage culture.

Rating (10 is best)

| Overall | Applicability | Innovation | Style |
|----------|---------------|------------|----------|
| 8 | 8 | 9 | 7 |

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Relevance

What You Will Learn

In this Abstract, you will learn: 1) What “organizational culture” means; 2) How to study it; 3) How it grows and develops; 4) How to manage and transmit it; and 5) How and when to change it.

Recommendation

This classic work by Edgar H. Schein is one of the most important books ever written about organizational culture. Schein, who coined the phrase “organizational culture,” offers a comprehensive analysis of the subject in a style refreshingly unburdened by sociological jargon. He has organized the book logically into three units: he defines culture; explains cultural assumptions; and discusses the role of leaders in forming, transmitting and changing organizational cultures. He offers a good overview of the most important and relevant research in the field, but keeps his discussion focused and practical, with numerous references to real-world cases. *getAbstract* recommends this as an indispensable work for students of sociology and organizations. Managers looking for the essential information about organizational culture between the covers of one book need seek no further.

Abstract

“The forces that are created in social and organizational situations derived from culture are powerful. If we don’t understand the operation of these forces, we become victim to them.”

“The culture of a group can be defined as a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration.”

Defining Culture

Founders and leaders of organizations establish groups to achieve goals. The groups’ successes validate the leaders’ assumptions and values, which then shape the way the culture defines leadership for following generations.

Although culture is abstract, the forces it puts in motion are powerful and real. Scholars have concocted numerous definitions of culture, but all share the idea that culture refers to the values that members of a group hold in common. Yet, culture is not merely sharing. These four additional elements must be present to create an organizational culture:

1. **“Structural stability”** – Culture is the foundation of group identity. It holds the group together and defines the group even as members come and go. This is why culture change is so difficult.
2. **“Depth”** – Culture is so deep that group members may be unconscious of it. It is simply the way you do things and needs no explanation.
3. **“Breadth”** – Culture affects everything about an organization, touching every function and activity.
4. **“Patterning or integration”** – Culture is what makes the group’s behaviors, values and rituals coherent.

Every group forms ground rules that become its governing norms. Often, this occurs spontaneously very soon after the group forms. However, sometimes one individual establishes an organization and imposes his or her values and rules on it. This only produces culture, as opposed to compliance, if the group achieves success, accepts the founder’s values and rules, and transmits them. The group introduces each new generation to the culture.

“Every group must learn how to become a group.”

“Organizations are ultimately the result of people doing things together for a common purpose.”

“The sense of groupness arises through successive dealings with marker events – those that arouse strong feelings and then are dealt with definitively.”

“The strength and stability of culture derives from the fact that...the individual will hold on to certain basic assumptions in order to ratify his or her membership in the group.”

Organizational culture

Three elements contribute to organization culture:

1. **“Visible artifacts”** – Observable characteristics. These include such elements as the level of formality with which people interact, office design, marks of status and how people behave in meetings.
2. **“Espoused beliefs, values, rules and behavioral norms”** – Some companies explicitly state their cultural values and norms in slogans or catch phrases.
3. **“Tacit, taken-for-granted, basic underlying assumptions”** – These explain the culture’s artifacts and beliefs.

A cultural group has a shared purpose, tactics, strategies and metrics. If subcultures within the group clash, the group’s performance may suffer. Yet, in a rapidly changing environment, intercultural conflict can enable the group to adapt and learn. Consensus is desirable only for groups in their early, formative stages. As they mature, consensus can actually hold them back.

These five “shared basic assumptions” describe the content or dimensions of a culture:

1. “External Adaptation”

Founders and leaders of groups must define the group’s boundaries if the group is to survive and grow. In fact, leaders succeed or fail depending on their ability to manage the group’s relationship to the external environment. If the group does not succeed in its environment, the leader has failed. Thus, you cannot assess a culture’s strength without examining its environment.

2. “Internal Integration”

A group is not simply a gathering of people; mobs and crowds are not groups. People define themselves as a group when they agree on language; membership qualifications; status, power and influence; and the rules that govern peer relationships. Group members must understand the rewards and penalties for good or bad performance. In addition, they must have some way of explaining the inexplicable – a mythology or ideology.

Without shared standards and beliefs, group members will feel insecure and bewildered, and the group will not be able to respond to internal or external challenges. Although the environment in which the group functions sets some limits on the group’s potential, its culture is even more powerful in defining its limits and aspirations.

3. “Assumptions about Reality and Truth”

Different cultures define reality and truth differently – this extends even to “external physical reality,” which in some cultures includes the spirit world. Especially if the members of the group belong to different national cultures, they may have conflicting ideas about these issues, which makes working together difficult.

Conflicting notions of truth complicate the formation of multicultural groups. As group members interact, the group may develop new, shared values that are different from the original ones of the members. Alternatively, one culture may become dominant. This often occurs in cross-border joint ventures. If neither culture yields, the merged entity may not constitute a group. The group’s assumptions about reality help members determine what information they need; how to gather, prioritize and interpret it; and, finally, make decisions.

“All group learning ultimately reflects someone’s original beliefs and values, their sense of what ought to be, as distinct from what is.”

“The group cannot achieve its goals and fulfill its mission unless there is clear consensus on the means by which goals will be met.”

“Reality can exist at physical, group and individual levels, and the test for what is real will differ according to a level – overt tests, social consensus or individual experience.”

“One of the more subtle uses of space is our use of gestures, body position and other physical cues to communicate our sense of what is going on in a given situation and how we relate to the other people in it.”

In addition to having different perceptions of physical reality, organizations also have different values about “social reality,” that is, about how members should treat one another and allocate power. For example, in hierarchical societies, people may accept the validity of elders’ pronouncements without question. In individualistic societies, members want reasons and proof. Whether a culture is “high-context” or “low-context” also determines the members’ attitudes toward truth: In high-context cultures, truth and meaning depend on circumstances, conditions and individual actors. In low-context cultures, meanings are unambiguous and universal.

4. “Assumptions about the Nature of Time and Space”

Ideas about time distinguish cultures from one another. The following are the four main time orientations:

1. To the past – Focus on what was.
2. To the present – Focus on the task at hand.
3. Toward the near term – Focus on meeting short-term goals.
4. Toward the far future – Focus on the long term.

In addition, time orientation may be either polychronic or monochronic. In the U.S., managers tend to think monochronically, slicing time into bits and doing “one thing at a time.” Monochronic cultures treat time as scarce and valuable. In contrast, Southern European, African, Middle Eastern and Asian cultures are polychronic. To people in these cultures, the notion that time is scarce seems strange, and they don’t see why you should do only one thing at a time. Japanese managers synchronized production processes that American managers were performing in sequence – inventing “just in time” inventory management.

Different time orientations can complicate relationships within organizations as well as across cultures. For example, salespeople tend to think in the short term, while researchers think in the long term. The word “soon” may mean entirely different things in the sales department and in research and development.

Orientation toward space also differs between groups. People use physical distance to communicate social relationships. Yet, a degree of closeness that is acceptable to the members of one group may feel intrusive and rude to the members of another. Organizational cultures established norms for the allocation of space. Usually, higher-status members receive larger, more attractive spaces.

5. “Assumptions about Human Nature, Activity and Relationships”

Every culture has beliefs about what is human and what is not. In fact, some cultures justified slavery by asserting that slaves were not fully human. Cultures also define human nature: Some cultures think that people are fundamentally bad, while others think they are good. Cultural values about human nature shape members’ attitudes about work. Cultures have three primary orientations toward work:

1. “The doing orientation” – Characteristic of pragmatic cultures that assume nature is controllable and humanity perfectible. American culture, with its emphasis on individual action, exemplifies the doing orientation. Organizations with a doing culture strive for growth and market dominance.

“If the organization is not under too much external stress and if the founder...is around for a long time, the culture evolves in small increments by continuing to assimilate what works best over the years.”

“The more turbulent the environment, the more likely it is that the more diverse organization will have the resources to cope with unpredicted events.”

2. “The being orientation” – A fatalistic sense that you must accept rather than attempt to control nature, and that you should focus on the present. Organizations with being cultures adapt to external facts rather than trying to create, grow or dominate.
3. “The being-and-becoming orientation” – Emphasizes personal development and self-actualization. An Exxon subsidiary was unwilling to promote French or Italian managers, claiming they were “too emotional” – evidence of its narrow assumptions about the growth and development of personality. In contrast, Digital Equipment Corporation encouraged almost every type of self-development.

Understanding and Transmitting Culture

Researchers attempting to analyze organizational cultures must begin by acknowledging that their understanding is necessarily limited. Only as they develop deep relationships with group members will they succeed in truly understanding the culture. Insiders may be uncomfortable about revealing their fundamental assumptions. They may not even be aware of them. Moreover, culture changes over time.

It is possible to assess culture, but surveys or questionnaires are generally useless because they are incapable of revealing deep feelings or complex behavior. Interviews are a better approach. However, leaders should not undertake cultural assessments unless they must address a well-defined issue. Otherwise, they risk disrupting culture, which can create chaos. Ground assessments in concrete issues that affect the organization’s functioning and efficacy.

Organizational cultures often coalesce around the deeds and beliefs of the founders, who usually have powerful convictions about the various aspects of culture. If the founders’ attitudes suit the environment, the organization succeeds. Six kinds of decisions and behaviors embed and transmit culture:

1. Measurement and control of decisions.
2. Response to crises.
3. Resource allocation.
4. Coaching, teaching and example.
5. Reward and status determination.
6. Hiring, firing and promotion.

Organizational structures, systems, stories and rituals can then reinforce the organizational culture.

Yet cultures change over time, as the organization grows and the environment evolves. Subgroups and subcultures proliferate and differentiate themselves from the mainstream. The way the organization expresses its basic values also changes. Leaders should anticipate this, since one of their most important functions is to guide the organization through cultural transformation, a difficult process that requires “unlearning” as well as learning. Often, the leader must shock the system into questioning fundamental assumptions.

About The Author

Edgar H. Schein is a professor emeritus and a senior lecturer at the Sloan School of Management at the Massachusetts Institute of Technology.