Business Horizons (2017) 60, 395—404

Available online at www.sciencedirect.com

ScienceDirect

KELLEY SCHOOL OF BUSINESS
INDIANA UNIVERSITY

www.elsevier.com/locate/bushor

What leaders need to know about organizational culture

D. D. Warrick

Graduate School of Business, University of Colorado, Colorado Springs, 1420 Austin Bluffs Parkway, Colorado Springs, CO 80918, U.S.A.

KEYWORDS
Organizational culture;
Culture building;
Organizational leadership;
Organizational values;
Leadership influence

Abstract A major factor in the success of an organization is its culture. Organizational culture can significantly influence the performance and effectiveness of a company; the morale and productivity of its employees; and its ability to attract, motivate, and retain talented people. Unfortunately, many leaders are either unaware of the significant impact culture can have, are aware but overwhelmed by the extensive and sometimes conflicting information available on culture, or are not well informed about how to build and sustain cultures effectively. This article integrates the most consistent findings that leaders need to know about culture and what they can do to build strong, successful cultures that bring out the best in people. Developing organizational culture requires far more than talk about culture and emphasis on its importance. In order to achieve the best results, culture development requires leaders who see it as one of their key tasks and who understand the importance of aligning organization strategies and decision making with cultural ideals.
© 2017 Kelley School of Business, Indiana University. Published by Elsevier Inc. All rights reserved.

1. Culture matters

Culture has been the long-time focus of anthropologists as they seek to understand different groups around the globe. However, it has been only recently that organizational researchers have begun to discover the close links between culture, the performance of organizations, and the behavior and attitudes of people in organizations. Culture is recognized as such a significant factor in the success of organizations that *Fortune*'s annual 100 Best Companies To Work For report is based primarily on information employees anonymously report about their workplace culture (Levering, 2016).

Culture is increasingly becoming a concern of skilled leaders. Tony Hsieh, the CEO of Zappos, has said, "At Zappos, our belief is that if you get the culture right, most of the other stuff—like great customer service, or building a great long-term brand, or passionate employees and customers—will happen naturally on its own" (Hsieh, 2010, p. 152).

E-mail address: dwarrick@uccs.edu

0007-6813/$ — see front matter © 2017 Kelley School of Business, Indiana University. Published by Elsevier Inc. All rights reserved.
http://dx.doi.org/10.1016/j.bushor.2017.01.011

Lou Gerstner, the former chairman of IBM said, "Culture isn't just one aspect of the game—it is the game. In the end, an organization is no more than the collective capacity of its people to create value" (Gerstner, 2002, p. 182). Former CEO of Wells Fargo, John Stumpf, made a similar point about the importance of culture when he said, "It's about the culture. I could leave our strategy on an aeroplane seat and have a competitor read it and it would not make any difference" (Guerrera, 2008). Later in this article, we will see how even in cases like Wells Fargo (where culture is highly valued), leadership decisions that are not carefully considered in terms of the cultural implications can override the intended culture.

Even if leaders recognize the importance of culture, they are unlikely to be aware of the research indicating the significant role culture can play in an organization's success or failure, or they do not have the training or knowledge of what it takes to build successful cultures. Because of this, the close relationship between leading and managing an organization well and achieving a winning culture escapes many leaders. It is the purpose of this article to help leaders develop a better understanding of culture, the advantages of having healthy cultures, the costs of having unhealthy cultures, and what is involved in building and sustaining strong cultures.

2. Understanding organizational culture

Many definitions are available to describe culture. Formally, culture can be defined as "the [predominant] beliefs, values, attitudes, behaviors, and practices that are characteristic of a group of people" (Warrick, 2015, p. 4). In defining culture, Edgar Schein, a leading authority in the study of organizational culture, uses the word group to describe social units of all sizes (Schein, 1992). In other words, the term group could pertain to a whole organization or any group of people of any size such as a country, sports team, symphony, or family. The point is that groups of people, regardless of group size, are likely to form specific cultures. Organization researchers typically use the term organizational culture in a broad sense to refer to the culture of a whole organization or any unit of people working together within the organization.

In practical terms, organizational culture describes the environment in which people work and the influence it has on how they think, act, and experience work (Warrick, Milliman, & Ferguson, 2016). Cultures can differ significantly within and between organizations. They can bring out the best in people and create excellent environments for people to work in or they can bring out the worst in people and create dysfunctional environments filled with stress and tension.

3. The impact of organizational culture on performance and other factors

Especially in the late 1980s and thereafter, studies on organizational culture began to provide convincing evidence that culture can have a significant influence on performance, morale, job satisfaction, employee engagement and loyalty, employee attitudes and motivation, turnover, commitment to the organization, and efforts to attract and retain talented employees (e.g., Denison, 1990; Fisher, 2000; Marcoulides & Heck, 1993; Rollins & Roberts, 1998; Weiner, 1988).

One study in particular began to catch the attention of leaders. John Kotter and James Heskett (1992) published an 11-year evaluation of company cultures. They found that over an 11-year period, companies with healthy cultures had a 682% average increase in sales versus 166% for comparable companies without such healthy cultures. Similarly, Kotter and Heskett found that these companies with healthy cultures saw stock increases of 901% versus 74% for comparable companies. Since then, other studies have identified the characteristics of high and low performance cultures (see Daft, 2015; Kilmann, Saxton, & Serpa, 1985; Lussier & Achua, 2016; Rosenthal & Masarech, 2003; Weiss, 2011). A summary of common themes from these studies is shown in Table 1. What becomes evident in studying the themes is that, to a large degree, healthy cultures are the result of effective leadership and management whereas unhealthy cultures are the result of ineffective leadership and management.

4. Is culture primarily the cause or result of organization practices?

Some culture experts believe that culture is the cure for many organizational problems. In this view, the main remedy for problems at General Motors, the Veterans Administration, the government, and many other organizations is to fix the culture. Others believe that culture is the result of organizational practices and an outcome rather than a cause. Among these are Lorsch and McTague (2016, p. 98), who proposed that "cultural change is what you get after you've put new processes or

Table 1. Characteristics of high and low performance cultures

High Performance Cultures	Low Performance Cultures
Leaders are skilled, admired, and build organizations that excel at results and at taking excellent care of their people and their customers	Leaders provide minimal leadership, are not trusted and admired, and do little to engage and involve their people
Clear and compelling vision, mission, goals, and strategy	Vision, mission, goals, and strategy are unclear, not compelling, not used, or do not exist
Core values drive the culture and are used in decision making	Core values are unclear, not compelling, not used, or do not exist
Committed to excellence, ethics, and doing things right	Lack of commitment to excellence, questionable ethics, and a reputation for doing what is expedient rather than what is right
Clear roles, responsibilities, and success criteria, and strong commitment to engaging, empowering, and developing people	Unclear roles and responsibilities and little interest in fully utilizing and developing the capabilities and potential of people
Positive, can-do work environment	Negative, tense, stressful, and/or resistant work environment
Open, candid, straightforward, and transparent communication	Guarded communication, reluctance to be open and straightforward, and consequences for saying things leaders do not want to hear
Teamwork, collaboration, and involvement are the norm	Top-down decision making with minimal teamwork, collaboration, and involvement
Emphasis on constant improvement and state-of-the-art knowledge and practices	Slow to make needed improvements and behind times in knowledge and practices
Willingness to change, adapt, learn from successes and mistakes, take reasonable risk, and try new things	Poorly planned change, resistance to change, minimal learning from successes and mistakes, and either risk averse or risk foolish

Source: Adapted from Warrick (2016)

structures in place to tackle tough business challenges like reworking an outdated strategy or business model. The culture evolves as you do that important work."

Each stance presented above possesses an element of truth, in both that culture significantly affects how an organization is run and organization practices significantly affect organizational culture. In other words, both are important, both affect the other, and both need attention to achieve the best results. Strong cultures cannot be achieved without running an organization well and running an organization well requires efforts on the part of leaders in building and sustaining culture.

5. Insights about culture of which leaders need to be aware

For leaders to sort through and make sense of the many culture articles and books could be a daunting, complex, and at times confusing process. Therefore, an effort is made here to summarize some of the consistent findings about organizational culture of which leaders need to be aware. The point of making leaders aware of the many factors that can influence culture is not to preoccupy them with concerns about culture but rather to make them better informed and discerning about key factors and decisions that can either build and sustain culture or adversely affect it.

5.1. The influence of leaders in shaping culture

Although many factors influence culture, organizational cultures primarily reflect their leaders. Leaders influence culture through their strategies, practices, values, leadership style, and example (Steers & Shim, 2013). The impact of leaders on culture is particularly influential at the top level. Tony Hsieh was the primary architect of the Zappos culture (Warrick et al., 2016). Jeff Immelt was able to make significant changes in the culture of IBM (Brady, 2005). Tim Cook has reinforced the positive aspects of the Apple culture and has made changes that have improved the Apple culture (Tyrangiel, 2012). Although culture is often thought to be resistant to change, Alan Mulally was able to change the culture of a struggling Ford Motor Company and

transform the performance of Ford in a relatively short time span (Hoffman, 2012).

The examples mentioned above are positive examples of a leader's influence on culture. However, it should be pointed out that leaders can also create unhealthy cultures. An ineffective leader, a leader who is not a good fit for a desired culture, or even a good leader who makes bad decisions that impact an organization's culture can tear down or damage a culture that took decades to build.

5.2. Dominant cultures and subcultures

When using the term organization to describe the whole of a company or institution, it is important to recognize that while organizations are likely to have an overriding dominant culture that defines them, they are also likely to have a number of subcultures in various parts of the organization that stray from the dominant culture (Martin & Meyerson, 1988). The dominant culture at Southwest Airlines encourages employees to cooperate with one another, take great care of customers, and have fun. However, within Southwest Airlines there are likely to be some departments or teams where the culture differs from the dominant culture. Fortunately, even in unhealthy dominant cultures, there may be pockets of excellence where there are healthy cultures.

5.3. Visible and invisible factors that define culture

Culture can be viewed on two levels (Schein, 1992). There is a visible level that can be observed by artifacts such as dress, office layout, office design, and emphasis on technology. Artifacts could also include leadership style, the nature of the work environment, how people are treated, and how decisions are made and get implemented. There is also an invisible level characterized by expressed values, underlying assumptions, and deep beliefs. Expressed values are consciously held convictions, clearly stated or practiced, that influence the behavior of group members. For example, the expressed values of the U.S. Army are loyalty, duty, and selfless service (Crandall, 2007). These values influence the behavior of soldiers at all levels. Another example may be the expressed value: "It is important to take great care of our people and our customers." This sentiment will create a different culture than that of an organization with the dominant value: "What we really care about is maximizing bottom line results, no matter what it takes to get there."

5.4. The impact of traditions and group dynamics

Leaders need to know the past and present history of the groups they lead. Group histories will provide insight into the traditions and dynamics that should be sustained and those that need to change. Traditions are practices that have become common to a group over a period of time. A group, for example, may have a history of great teamwork, group involvement in the decision making process, high-level performance, and strong group loyalty. On the other hand, a group might have a history of minimal teamwork, leader-driven decision making with little team involvement, and satisfaction with good but not great performance. The dynamics of a group describe its interactions and practices in terms of how people relate and get things done. Groups may be very cohesive and work well together to get tasks done effectively and efficiently. However, they may also be characterized by a number of dysfunctional or ineffective dynamics.

5.5. Key internal and external circumstances that may influence culture

There are a number of internal and external circumstances that can affect culture. Internal circumstances could include such things as organizational structures, processes, systems, budgets, and leadership styles; as well as changes in leadership, team members, budgets, or other key internal decisions. External circumstances could include situations such as an economic recession, government regulations, major lawsuits that damage the reputation or resources of a group, acquisition by another company, or an unexpected catastrophe.

5.6. Valued and devalued behaviors

The types of behaviors that are valued and devalued influence the shaping of an organizational culture significantly. People respond to behaviors, good or bad, that are valued and rewarded, while they avoid behaviors that are not valued or rewarded or are devalued. Understanding this makes it important for leaders to be discerning about the desired behaviors and the behaviors they are actually motivating in their subordinates. For some leaders, a careful examination of the reward system may reveal that rewarded behaviors encourage self-serving actions and discourage teamwork or that going the extra mile goes unnoticed or unrewarded. An example of how leadership decisions can have a significant impact on culture involves the high-profile Wells Fargo case. CEO John Stumpf allowed

the company to become overly sales oriented, and a focus on incentives resulted in aggressive tactics to meet sales targets. Over a 5-year period, 2+ million accounts were opened without customer authorization by employees who were willing to practice unethical behavior to benefit from the sales incentives. Once the practices were uncovered, Stumpf announced a number of actions and remedies to address the issues; however the consequences have been far reaching. Wells Fargo was fined $185 million by the Consumer Financial Protection Bureau (CFPB) and Stumpf forfeited over $41 million in unvested equity awards and resigned. Clearly, it is important for leaders to evaluate the performance management and reward systems as well as their own decisions to ensure that these are aligned with the desired culture.

5.7. Influential members

One or more influential group members can have a significant positive or negative influence on the culture of a group. There are group members who bring out the best in others and contribute to a positive work environment and there are those who impact groups in negative ways. At the wound center of a major medical center that I am familiar with, Fridays are called "Valentino days" by the staff. This is because on Fridays, Dr. Valentino is there and he is known for treating all of the nurses and staff like valued team members and for being caring and uplifting. Wouldn't we all like to be known for creating Valentino days? Understanding the impact that influential people can have on culture makes it important for leaders to carefully select the right people who are a fit with the desired culture and to correct or deal with behaviors that undermine the culture of groups.

5.8. Strong cultures and weak cultures

The term *strong culture* describes cultures that have a significant influence on the behaviors and practices of employees. In strong cultures, there is a clear understanding of what the cultural values and norms are. The term *weak culture* is used to describe cultures where the norms and practices are not well known or are confusing, inconsistent, or not reinforced. Weak cultures are difficult to work in because expectations are unclear and there is little consistency in practices throughout the organization. Strong cultures are generally associated with much higher performance than weak cultures (Jin, Drozdenko, & DeLoughy, 2013; Mushtaq, Ahmad, & Tanveer, 2013). An exception to this occurs when the culture is strong but unhealthy. In addition to observing the strength of the culture, leaders need to be observant of the types of behaviors and attitudes a culture is driving and whether they are desirable or undesirable.

5.9. Understanding international cultural differences

With the existence of myriad multinational organizations, so many leaders involved in international business, and virtual teams with members from around the world, taking into account international cultural differences is becoming increasingly important for the success of organizations. Imposing one's own cultural values and practices may not be successful in cultures that have a history of doing things differently. Euro Disney experienced substantial losses in its first 2 years of operation at least partially due to a lack of understanding of cultural differences in Europe. To begin with, the name Euro Disney turned out to be a hindrance, as Europeans associated "Euro" with the continental money unit rather than a coverall term for European. As a result, the amusement park's name essentially translated as "Dollar Disney." Disney also ignored the necessity to provide kennels in a culture where people often travel with dogs, creating problems for potential guests. Another issue arose in cultural dining differences, as Disney's plastic utensils failed to impress guests who take great pride in the culinary experience.

The key for leaders, just as would be the case in understanding different domestic cultures, is to take the time to learn as much as possible about the cultures they are dealing with and to involve those who have a good understanding of the culture in making decisions where culture could be an issue. McDonald's restaurants operate in more than 100 countries. While McDonald's headquarters is U.S.-based, the company entrusts local operations to managers from the countries in which they operate.

5.10. The vulnerability of culture

Cultures are like precious and prized treasures when they are strong, healthy, and driving the right behaviors. They are among the greatest assets an organization can have. However, they are vulnerable assets that can be damaged or lost if leaders are not aware of their value and are not keeping watch over possible culture-changing practices, attitudes, threats, or events.

There are many variables that can impact culture and may need to be dealt with and managed to avoid possible cultural damage. For example,

changes in culture can occur because of budget cuts, rapid market changes, economic downturns, natural disasters, compromises in adhering to core values, and especially changes in ownership, leadership, or leadership practices. It will be interesting to see if changes will occur in the well-documented and acclaimed culture of Zappos now that the primary architect of the culture, Tony Hsieh, has introduced Holacracy (a self-management organizational system marketed by HolacracyOne). Holacracy is essentially a boss-less, self-managed form of organization design. *The Wall Street Journal* (Silverman, 2015) reported that since the introduction of Holacracy, Zappos said that about 14% of its roughly 1,500 employees decided to leave because the new organizational system was not for them. Previously, Zappos had been known for exceptionally low turnover.

5.11. Successes and Challenges

In general, success is likely to unite and instill pride in a group and make a culture stronger. Therefore, celebrating and communicating successes can build culture. While success typically strengthens culture, leaders need to be sensitive to the impact of success as it could also lead to complacency, overconfidence, and possible erosion of positive cultural norms. Marginal or declining results tend to undermine positive cultural norms. During challenging times, it is important for leaders to make efforts to maintain strong cultural norms and to turn difficulties into opportunities. For observant leaders, difficulties, setbacks, and challenges can be used to unite and build culture as people rally and bond together to face the challenges.

6. Guidelines for building and sustaining organizational cultures

Culture can be built by design or default. In other words, culture can either be built in a purposeful way or left to chance. Leaders play a key role in building and sustaining cultures. To build culture by design takes intelligent and focused work. CEOs such as Bill Gates of Microsoft, Herb Kelleher (formerly) of Southwest Airlines, and Jeff Bezos of Amazon have all been known for their emphasis on culture and willingness to take specific culture-building actions. Often, other leaders mistakenly think that by talking a lot about culture, posting cultural values on walls, passing out books on culture, and placing cultural values on coffee mugs, the desired culture will happen.

Table 2. Guidelines for building and sustaining cultures

1. Make strategy and culture important leadership priorities
2. Develop a clear understanding of the present culture
3. Identify, communicate, educate, and engage employees in the cultural ideals
4. Role model desired behaviors
5. Recruit and develop for culture
6. Align for consistency between strategy and culture
7. Recognize and reward desired behaviors and practices
8. Use symbols, ceremonies, socialization, and stories to reinforce culture
9. Appoint a culture team
10. Monitor and manage the culture

There are also leaders who pay little attention to culture and may do so at a high cost. While there are many payoffs and advantages to having a healthy, high-performance culture, there are also many potential costs to neglecting culture or having a less than desirable culture. It is estimated that 60% of all mergers fail to achieve their anticipated goals or fail altogether because of cultural differences that were not dealt with (Hellriegel & Slocum, 2011). Unhealthy cultures are also likely to have a negative impact on many other factors such as performance, morale, motivation, teamwork, customer relations, service, and loyalty. In some cases, unhealthy cultures have been a significant contributor to the failure of organizations. Table 2 summarizes 10 guidelines leaders can use in building and sustaining organizational cultures.

6.1. Make strategy and culture important leadership priorities

Leaders throughout an organization need to understand the importance of strategy and culture in building a successful organization and to make both a top priority in their decision making and practices. It is especially important for the top level leader to set the example for making strategy and culture important. The vision, mission, core values, design, plans, systems, and processes of an organization, along with the practices and decisions of leaders, begin to shape the culture. The more leaders are able to create strategies that achieve the desired results while also creating a great place to work and conduct business, the more likely that a healthy culture will be the result. A poorly run organization will not result in a healthy and vibrant culture no matter how much the leaders may talk about the

importance of culture and spend time trying to build a healthy culture.

It is also important for leaders to identify the type of culture that is likely to achieve the best results and to ensure that the strategy and desired culture are aligned to reinforce and strengthen one another. Culture can be defined by core values or by identifying cultural ideals. Zappos defined the desired culture through its core values (Hsieh, 2010, p. 154), which are:

1. Deliver Wow Through Service
2. Embrace and Drive Change
3. Create Fun and a Little Weirdness
4. Be Adventurous, Creative, and Open-Minded
5. Pursue Growth and Learning
6. Build Open and Honest Relationships
7. Build a Positive Team and Family Spirit
8. Do More with Less
9. Be Passionate and Determined
10. Be Humble

Zappos recruits people with these values in mind, trains all employees on the values, and uses the values in decision making. Culture can also be defined by identifying cultural ideals such as: developing knowledgeable and empowered employees at all levels; decentralizing decision making; emphasizing collaboration, cooperation, and teamwork in getting things done; striving for simplicity in how things get done; and encouraging open, candid, two-way communication.

Walt Disney was a master at creating a winning strategy and making the Disney culture a high priority. The wholesome family values that he espoused and even the job titles that he used, renaming engineers "imagineers," helped shape the Disney culture that, along with a winning strategy, has made the Disney organization so successful (Dumaine, 1990).

6.2. Develop a clear understanding of the present culture

In building culture, leaders need to understand the present culture so the strengths can be reinforced and any weaknesses, inconsistencies, and gaps between the desired culture and the present culture can be identified and addressed. There are many ways to develop an understanding of the present culture. Certainly observing and experiencing the culture can provide insights. There may also be available information regarding the present or desired culture. Another option can be to use standardized culture questionnaires, create questionnaires to fit the cultural ideals, or interview a cross-section of people or focus groups regarding how they view the culture or culture changes. There are many questionnaires available for evaluating culture. One of the best researched questionnaires is the *Denison Organizational Culture Survey* (Denison & Neale, 1996). In groups such as companies with numerous departments, it may be helpful to evaluate the overall dominant culture of the company as well as the culture of each department.

6.3. Identify, communicate, educate, and engage employees in the cultural ideals

To build a strong culture purposely, the desired cultural values need to be identified and made known. As mentioned previously, such values are typically identified through the core values of an organization or by identifying specific cultural ideals. Once identified, it is best to avoid flashy campaigns and programs to promote cultural values, which can be gimmicky and may create unreasonable expectations. It is, however, helpful to educate group members on the cultural ideals, find ways to communicate and reinforce the importance of building a strong culture, and to involve employees in making needed changes to operate more consistently with the cultural ideals.

In efforts to make changes in an existing culture, one of the most effective ways is to use important initiatives such as a significant change in strategy, reorganizations, mergers, or the accomplishment of a major objective as an opportunity to emphasize important cultural values. For example, successfully accomplishing an initiative may create an opportunity to build a stronger emphasis on the cultural values of teamwork and collaboration.

6.4. Role model desired behaviors

The example of leaders is one of the strongest shapers of culture. How leaders behave and get things done, the actions that they take, the values and beliefs that they hold, and the changes they are personally willing to make all set the example for others to follow (Gehman, Treviño, & Garud, 2013). For leaders to model the desired behaviors, walk and talk must be consistent (Kottke & Pelletier,

2013). For example, a leader who emphasizes good stewardship while taking an exorbitant salary will have little credibility.

6.5. Recruit and develop for culture

Recruiting and training for culture at all levels of an organization is essential to sustaining the desired culture. Culture fit should be as important in the hiring process as skills and experience. Hiring for culture requires well-designed recruitment, selection, orientation programs, and training and development opportunities to hone the desired cultural behaviors and practices in new and current employees.

6.6. Align for consistency between strategy and culture

When leaders pay attention to both strategy and culture in their planning and decision making, making sure that both are aligned to support one another, they are in a position to develop culture by design and not leave it to chance. Evaluating the implications of decisions for an organization's strategy and culture should become a natural part of a leader's decision-making process. Decisions, for example, that may save on cost while undermining cultural values that emphasize quality and excellence are likely to have the effect of weakening the desired culture.

6.7. Recognize and reward desired behaviors and practices

Another way to build culture is to value, recognize, and reward behaviors that support the desired culture. Leaders can make all kinds of statements about the type of culture they desire, but ultimately employees will respond to the behaviors that they see valued, recognized, and rewarded. As mentioned previously, this requires leaders to be aware of the behaviors they are actually reinforcing. Some scholars attribute the crash of the NASA space shuttle Columbia and the explosion in space of the Challenger to a change in NASA's culture from rewarding space safety and technical brilliance to a reward system that valued efficiency and the reuse of space shuttles. NASA's motto of "faster, better, and cheaper" emphasized meeting schedules and avoiding cost overruns (Mason, 2004).

6.8. Use symbols, ceremonies, socialization, and stories to reinforce culture

Symbols, ceremonies, socialization, and stories are all terms used to communicate the idea that leaders should look for opportunities to reinforce the desired culture (Deal & Kennedy, 1982).

6.8.1. Symbols

Symbols can be actions, objects, or events that communicate meaning. For example, a new CEO was asked to choose the vehicle that he wanted to drive. Knowing that the other executives commonly drove luxury cars, he chose a mid-size Chevrolet. Although he never said a word about why he chose a much more modest car, he sent a strong message about desiring a culture in which leaders were good stewards and did not try to set themselves apart from the rest of the employees.

6.8.2. Ceremonies

Ceremonies are planned activities that are meaningful to employees. Examples include award and promotion ceremonies and celebrations for achieving goals. Ceremonies reinforce specific behaviors and values. Mary Kay Cosmetics Company holds elaborate awards ceremonies that include rewards from gold and diamond pins to pink Cadillacs that reinforce specific behaviors and values.

6.8.3. Socialization

Socialization is another important part of building culture. Socialization includes socializing people into the culture by making clear the kinds of behaviors and attitudes that will help them succeed and providing opportunities for people to socialize, bond, and become more cohesive as a group (Feldman, 1981). The more people interact and get to know one another, the more likely the cultural values will be shared and strengthened.

6.8.4. Stories

Stories are narratives that reinforce the cultural values. There is a widely told story about Nordstrom in which an associate listened to a customer complain about the performance of his automobile tires and gave him a refund on the tires even though Nordstrom does not sell tires. The story reinforces the company's zeal for customer service and a no-questions-asked return policy.

6.9. Appoint a culture team

Given the important role culture plays in the success and future of an organization, it can be helpful to appoint a cross-functional and cross-level culture team (Warrick, 2002). The team should include at least one member of the senior leadership team so there will be an advocate for culture at the top. Possible tasks for the culture team could be:

- Monitor the culture throughout the organization and keep the senior leadership team informed about the culture and any significant changes.

- Advise the senior leadership team on ways to build, reinforce, and make changes to the culture.

- Become students of information on organizational culture and help leaders implement ways to strengthen the culture.

Like all ongoing committees, it is important to give the culture team a meaningful role and to not turn a good thing into busywork with too many meetings and activities.

6.10. Monitor and manage the culture

It would be wise for organizations to assess their culture at least on an annual basis. Leaders need to know if the culture is moving in the right or wrong direction and if potentially influential events are affecting the culture negatively so they can respond proactively. Organizational cultures are reasonably stable and can be difficult to change. However, as discussed previously, they can also be vulnerable to events such as downsizing, natural disasters, or changes in leadership. As pointed out above, assessing the culture can be an important function of a culture team.

7. Summary of key insights about organizational culture

To reinforce how important it is that leaders understand and build culture purposefully, several key insights of which leaders should be aware are summarized here:

- *Culture matters.* Culture can have a significant influence on what goes on in organizations, how things are done, how the organization is experienced by employees and customers, and the competitive advantage or disadvantage of organizations. It is important for leaders to understand that there is a significant body of research indicating that it pays to build strong cultures and that there can be many tangible and intangible costs to leaving cultural development to chance or to having weak or toxic cultures.

- *Building and managing culture is an important role of leaders.* Leaders have many goals. Certainly at the top of the list is achieving the desired results. However, in their efforts to achieve results, leaders sometimes become preoccupied with numbers, improving revenue, cutting costs, and trying to manage their way to success. In doing so, they may overlook the importance of building healthy organizations with strong cultures as an important ingredient in achieving the best results. Leaders need to see the importance of understanding, building, and sustaining strong cultures to their leadership roles.

- *Culture is built by design or default.* In whole organizations or groups within organizations, as time goes on culture begins to evolve whether it is developed purposely or left to chance. Leaving culture to chance is a risky gamble and at best is likely to result in organizational underperformance. Building culture by design requires a sound strategy for running a healthy, high performance organization, being clear on the type of culture that best fits the strategy, aligning all parts of the strategy and culture to reinforce one another, considering strategy and culture in the decision-making process, and making needed changes in both while assuring that they stay aligned.

- *Hire for culture starting at the top.* Organizations need to make hiring, training, and promoting for culture fit a top priority. This is particularly important when it comes to top level leaders. The highest level leader will have a significant influence in shaping culture, as will others in top level positions. Even only one hire of a top level leader who is not a fit with the desired culture or who does not understand what it takes to build a strong culture can damage or destroy a culture that took years to build.

8. Conclusion

It is important that leaders consider understanding, building, and sustaining culture as part of their leadership roles and that they be better trained in how to build healthy cultures and align culture and strategy. An abundance of research makes it clear that building strong cultures can play a significant role in the success of organizations and that, conversely, neglecting cultures can have many costs to organizations and their employees, customers, and stakeholders. Making cultural training and effective culture management a high priority for leaders can be a high payoff investment and can have a significant influence on the success and competitive advantage of an organization.

References

Brady, D. (2005, March 28). The Immelt revolution. *Bloomberg Businessweek*. Retrieved from https://www.bloomberg.com/news/articles/2005-03-27/the-immelt-revolution

Crandall, D. (Ed.). (2007). *Leadership lessons from West Point*. San Francisco: Jossey-Bass.

Daft, R. L. (2015). *The leadership experience* (6th ed.). Boston: Cengage Learning.

Deal, T. E., & Kennedy, A. A. (1982). *Corporate cultures: The rites and rituals of corporate life*. Reading, MA: Addison-Wesley.

Denison, D. R. (1990). *Corporate culture and organizational effectiveness*. New York: Wiley.

Denison, D. R., & Neale, W. S. (1996). *Denison organizational culture survey*. Ann Arbor, MI: Aviat.

Dumaine, B. (1990, January 15). Creating a new company culture. *Fortune*, *121*(2), 127—128, 130—131.

Feldman, D. C. (1981). The multiple socialization of organization members. *Academy of Management Journal*, *6*(2), 309—318.

Fisher, C. (2000). Like it or not . . . culture matters. *Employment Relations Today, 27*(2), 43—52.

Gehman, J., Treviño, L. K., & Garud, R. (2013). Values work: A process study of the emergence and performance of organizational values practices. *Academy of Management Journal*, *56*(1), 84—112.

Gerstner, L. V., Jr. (2002). *Who says elephants can't dance?: Inside IBM's historic turnaround*. New York: Harper Collins.

Guerrera, F. (2008, August 24). Wells Fargo cracks the whip. *The Financial Times*. Available at https://www.ft.com/content/83f02918-7069-11dd-b514-0000779fd18c

Hellriegel, D., & Slocum, J. W., Jr. (2011). *Organizational behavior* (13th ed.). Mason, OH: South-Western Cengage Learning.

Hoffman, B. G. (2012). *American icon: Alan Mulally and the fight to save Ford Motor Company*. New York: Crown.

Hsieh, T. (2010). *Delivering happiness: A path to profits, passion, and purpose*. New York: Grand Central Publishing.

Jin, K. G., Drozdenko, R., & DeLoughy, S. (2013). The role of corporate value clusters in ethics, social responsibility, and performance: A study of financial professionals and implications for the financial meltdown. *Journal of Business Ethics*, *112*(1), 15—24.

Kilmann, R., Saxton, M. J., & Serpa, R. (1985). *Gaining control of the corporate culture*. San Francisco: Jossey-Bass.

Kotter, J., & Heskett, J. K. (1992). *Corporate culture and performance*. New York: Free Press.

Kottke, J. L., & Pelletier, K. L. (2013). Measuring and differentiating perceptions of supervisor and top leader ethics. *Journal of Business Ethics, 113*(3), 415—428.

Levering, R. (2016, March 3). This year's best employers have focused on fairness. Fortune. Retrieved from http://fortune.com/2016/03/03/best-companies-2016-intro/

Lorsch, J. W., & McTague, E. (2016). Culture is not the culprit. *Harvard Business Review, 94*(4), 96—105.

Lussier, R. N., & Achua, C. F. (2016). *Leadership: Theory, application, and skill development* (6th ed.). Boston: Cengage Learning.

Marcoulides, G. A., & Heck, R. H. (1993). Organizational culture and performance: Proposing and testing a model. *Organization Science, 4*(2), 209—225.

Martin, J., & Meyerson, D. (1988). Organizational cultures and the denial, channeling, and acknowledgement of ambiguity. In L. R. Pondy, R. J., Boland, Jr., & H. Thomas (Eds.), *Managing ambiguity and change* (pp. 93—125). New York: John Wiley & Sons.

Mason, R. O. (2004). Lessons in organizational ethics from the Columbia disaster: Can a culture be lethal? *Organizational Dynamics, 33*(2), 128—142.

Mushtaq, A. L., Ahmad, F. S., & Tanveer, A. (2013). Organizational culture in the hotel industry: Perceptions and preferences among staff. *Advances in Management, 6*(5), 55—60.

Rollins, T., & Roberts, D. (1998). *Work culture, organizational performance, and business success*. Westport, CT: Quorum Books.

Rosenthal, J., & Masarech, M. A. (2003). High-performance cultures: How values can drive business results. *Journal of Organizational Excellence, 22*(2), 3—18.

Schein, E. H. (1992). *Organizational culture and leadership*. San Francisco: Jossey-Bass.

Silverman, R. E. (2015, May 20). At Zappos, banishing the bosses brings confusion. *The Wall Street Journal*. Retrieved from http://www.wsj.com/articles/at-zappos-banishing-the-bosses-brings-confusion-1432175402

Steers, R. M., & Shim, W. S. (2013). Strong leaders, strong cultures: Global management lessons from Toyota and Hyundai. *Organizational Dynamics, 42*(3), 217—227.

Tyrangiel, J. J. (2012, December 6). Tim Cook's freshman year. *Bloomberg Businessweek*. Retrieved from https://www.bloomberg.com/news/articles/2012-12-06/tim-cooks-freshman-year-the-apple-ceo-speaks

Warrick, D. D. (2002). The illusion of doing well while the organization is regressing. *Organization Development Journal, 20*(1), 56—61.

Warrick, D. D. (2015). Understanding, building, and changing organization cultures. In D. D. Warrick & J. Mueller (Eds.), *Lessons in changing cultures: Learning from real world cases* (pp. 1—16). Oxford, UK: RossiSmith Academic Publishing.

Warrick, D. D. (2016). *Leadership: A high impact approach*. San Diego: Bridgepoint Education.

Warrick, D. D., Milliman, J. F., & Ferguson, J. M. (2016). Building high performance cultures. *Organizational Dynamics, 45*(1), 64—70.

Weiner, Y. (1988). Forms of value systems: A focus on organizational effectiveness and cultural change and maintenance. *Academy of Management Review, 13*(4), 534—545.

Weiss, J. W. (2011). *An introduction to leadership*. San Diego: Bridgepoint Education.