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A Primer on Organizational Culture

Abstract

{Excerpt} The principal competitive advantage of successful organizations is their culture. Its study is a major constituent of organizational development—that is, the process through which an organization develops its internal capacity to be the most effective it can be in its work and to sustain itself over the long term.

Organizational culture may have been forged by the founder; it may emerge over time as the organization faces challenges and obstacles; or it may be created deliberately by management.

Keywords

Asian Development Bank, ADB, poverty, economic growth, sustainability, development

Comments

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A Primer on Organizational Culture

By Olivier Serrat

In Brief

Culture guides the way individuals and groups in an organization interact with one another and with parties outside it. It is the premier competitive advantage of high-performance organizations.

Sadly, for others, organizational culture is the most difficult attribute to change: it outlives founders, leaders, managers, products, services, and well-nigh the rest. It is best improved by organizational learning for change.

The principal competitive advantage of successful organizations is their culture. Its study is a major constituent of organizational development—that is, the process through which an organization develops its internal capacity to be the most effective it can be in its work and to sustain itself over the long term.

Organizational culture may have been forged by the founder; it may emerge over time as the organization faces challenges and obstacles; or it may be created deliberately by management.



Organizational Culture Defined

Organizational culture comprises the attitudes, experiences, beliefs, and values of the organization, acquired through social learning, that control the way individuals and groups in the organization interact with one another and with parties outside it.

A standard typology refers to communal, networked, mercenary, and fragmented cultures. Numerous other typologies exist.¹ Nevertheless, the necessary notion to grasp is that organizational culture is determined by sundry factors that find expression in organizational structure, making structure itself an important culture-bearing mechanism.

The figure below delineates 10 components that, together, influence organizational culture. Importantly, identifying discernible elements of culture allows organizations to determine features that can be managed to help implement and sustain constructive

¹ Numerous other typologies exist. One distinguishes coercive, utilitarian, and normative organizations. (To this, others add another dimension, namely, the professional or collegial organization.) Another focuses on how power and control are delegated, with organizations labeled as autocratic, paternalistic, consultative (else democratic), participative (else power sharing), delegative, or abdicative. A third classifies organizations according to their internal flexibility (viz., clans or hierarchies) and external outlook (viz., adhocracies or markets). The four cultures that Charles Handy popularized are power cultures (which concentrate power among a few), role cultures (which delegate authority within highly defined structures), task cultures (which form teams to solve particular problems), and people cultures (which allow individuals to think themselves superior to their organization).

organizational change. But just as none of the 10 components in the figure shapes organizational culture on its own, none can individually support desired improvements.

Strong and Weak Cultures



Source: Author.

Organizational culture varies more than any other corporate asset, including large and tangible information and communication technology infrastructure. It is said to be strong where employees respond to stimuli because of their alignment with it. Conversely, it is said to be weak where there is little alignment, and control is exercised with administrative orders.

Organizational Culture and Change

Regardless, if an organization is to succeed and thrive, a knowledge culture must develop to help it deal with its external environment. But organizational culture is hard to change in the best circumstances. Employees need time to get used to new ways of organizing. Defensive routines pollute the system, more often than not unwittingly, and undermine it. The dynamics

of culture change must be considered an evolutionary process at individual, group, organizational, and interorganizational levels, to be facilitated by psychologically attentive leaders who do not underestimate the value of selection, socialization, and leadership. People cannot share knowledge if they do not speak a common language. And so there is a serious, oft-ignored need to root learning in human resource policies and strategies.

Organizational Learning for Change

Observers recognize a correlation between the orientation of organizational culture and organizational learning. Indeed, the inability to change organizational behavior is repeatedly cited as the biggest hindrance to knowledge management. For this reason, even if the need to take a hard look at an organization's culture extends the time required to prepare knowledge management initiatives, the benefits from doing so are likely to tell.

The thing I have learned at IBM is that culture is everything.

—Lou Gerstner

Organizations that are more successful in implementing knowledge management initiatives embody both operations- and people-oriented attributes. Typically, a learning culture is an organizational environment that enables, encourages, values, rewards, and uses the learning of its members, both individually and collectively. But many cultural factors inhibit knowledge transfer. The table below lists the most common frictions and suggests ways to overcome them. Most importantly, when sharing knowledge, the method must always suit the culture as that affects how people think, feel, and act.

[Organizational culture is] *A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way you perceive, think, and feel in relation to those problems.*

—Edgar Schein

Table: The Culture of Knowledge Transfer

Friction	Possible Solution
<ul style="list-style-type: none"> Lack of trust 	<ul style="list-style-type: none"> Build relationships and trust through face-to-face meetings.
<ul style="list-style-type: none"> Different cultures, vocabularies, frames of reference 	<ul style="list-style-type: none"> Create common ground through education, discussion, publications, teaming, and job rotation.
<ul style="list-style-type: none"> Lack of time and meeting places; narrow idea of productive work 	<ul style="list-style-type: none"> Establish times and places for knowledge transfers, e.g., fairs, talk rooms, and conference reports.
<ul style="list-style-type: none"> Status and rewards go to knowledge owners 	<ul style="list-style-type: none"> Evaluate performance and provide incentives based on sharing.
<ul style="list-style-type: none"> Lack of absorptive capacity in recipients 	<ul style="list-style-type: none"> Educate employees for flexibility; provide time for learning; and hire for openness to ideas.
<ul style="list-style-type: none"> Belief that knowledge is the prerogative of particular groups; not-invented-here syndrome 	<ul style="list-style-type: none"> Encourage nonhierarchical approach to knowledge; the quality of ideas is more important than the status of their source.
<ul style="list-style-type: none"> Intolerance of mistakes or need for help 	<ul style="list-style-type: none"> Accept and reward creative errors and collaboration; there is no loss of status from not knowing everything.

Source: Thomas Davenport and Laurence Prusak. 2000. *Working Knowledge: How Organizations Manage What They Know*. Boston, Massachusetts: Harvard Business School Press.

Further Reading

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For further information

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Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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Knowledge Solutions are handy, quick reference guides to tools, methods, and approaches that propel development forward and enhance its effects. They are offered as resources to ADB staff. They may also appeal to the development community and people having interest in knowledge and learning.

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