

# 9

## Organizational Culture and Retention

### Key Points

To this point, we have considered some specific HRM practices that have been linked to employee retention. There is little doubt that recruitment and selection, socialization, training and development, performance management, and compensation and benefits contribute *directly* to an organization's ability to attract and retain good employees. We have discussed these direct effects at some length in previous chapters. We also alluded to the fact that these practices contribute indirectly to an organization's ability to retain its best employees through their impact on organizational culture.

In this chapter we explore organizational culture more fully. We start by explaining what organizational culture is and how it develops. We then illustrate how the culture of an organization can be "measured." Next, we provide evidence for the link between culture and turnover. We conclude by describing strategies that can be used to shape or change an organization's culture.

### 9.1 WHAT IS ORGANIZATIONAL CULTURE?

Anyone who has worked in more than one organization will recognize that there is *something* different about each one. It is sometimes hard to describe what it is, but it *feels* different. It is not unlike the feeling one gets in travelling abroad and encountering people who dress differently, speak a different language and have different mannerisms and traditions. In the latter scenario we recognize that we are experiencing a difference in culture. In essence, that is also what a person experiences as he or she moves from one organization to another. The concept of *organizational culture* derives from the more general use of the culture concept by anthropologists and sociologists in their study of people from different geographic regions, nations or neighbourhoods. Although the signs are perhaps more subtle as we travel from organization to organization than from country to country, there are some common indicators, including how people dress, speak and interact with one another.

Just as it is hard to describe the different feel that an organization has, it is also difficult to define precisely what organizational culture is. Indeed, in spite of the growing popularity of the concept, both in the academic literature and the popular press, there is no universally accepted definition. The following definition, however, reflects the generally accepted view of what organizational culture is, and will serve as the basis for subsequent discussion.

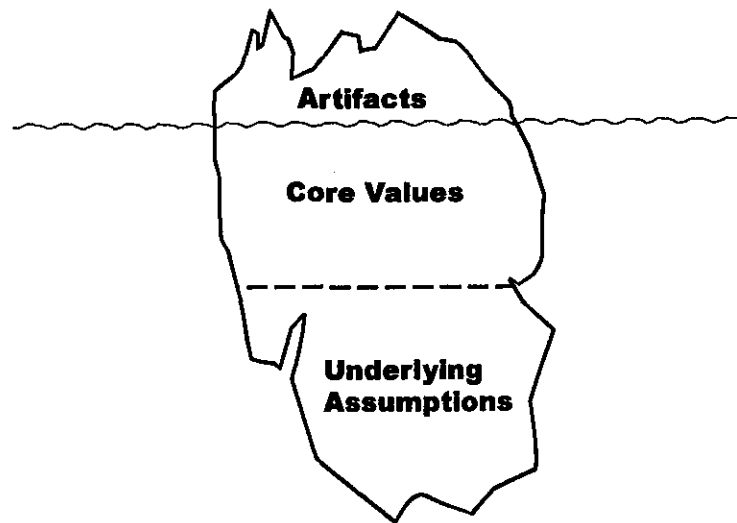
*Organizational culture is a shared set of beliefs and values, reinforced by an organization's symbols and structure, and manifested in the way people think and act.*

According to one of the foremost experts, Edgar Schein, organizational culture can exist on at least three different levels: surface artifacts, shared values and underlying assumptions.<sup>1</sup> As can be seen in Exhibit 9.1, *like an iceberg, only a small portion of an organization's culture is actually visible* — this is what Schein refers to as the artifacts of culture and includes, among other things, dress code, status symbols, physical layout and manners of interacting. *Lying just below the surface are the core values shared by members of the organization. These values guide policy and practice and are therefore reflected in the "way things are done" in the organization. Although often invisible, they might rise above the surface in discussion about what the organization is all about or where it is going. Indeed, values might become quite explicit as corporate executives attempt to develop and articulate the organization's mission and vision.*

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**EXHIBIT 9.1**

**The Composition of an Organization's Culture**




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*Adapted from E. H. Schein, Organizational Culture and Leadership (San Francisco: Jossey Bass, 1985).*

*At the very deepest level of culture are the underlying assumptions. These assumptions, according to Schein, begin as values but, over time, become so well ingrained that they become givens — firm beliefs about the way things are. An example might be the assumption that people in this organization "are like family." Others might include beliefs about the equality of the races, and the importance of maintaining tradition. These underlying assumptions guide decisions about how the organization is structured, the*

<sup>1</sup> E. H. Schein, *Organizational culture and leadership* (San Francisco: Jossey Bass, 1985). Also see E. H. Schein, "Organizational culture" *American Psychologist* 45 (1990) 109-119.

appropriate strategy for attaining competitive advantage, the right way to select and manage people, and the importance of meeting the needs of the various stakeholders (stockholders, employees, customers). Paradoxically, as influential as these assumptions are, they are often difficult to identify and articulate. There is an old adage, “Fish discover water last” — some things are just so “obvious” that they become “invisible.”

Although the links between underlying assumptions and visible artifacts are often not immediately obvious, Michael Pratt and Anat Rafaeli provided a nice example we can use to illustrate the relationship.<sup>2</sup> In an interview about organizational dress (one cultural artifact), the head nurse of a rehabilitation unit explained that “Patients who wear pajamas and see hospital garb around them think of themselves as sick. If they and their caretakers wear street clothes, patients think of themselves as moving out of the sick role and into rehabilitation. They will be ready for life outside the hospital. This is the rehab philosophy, and this is what makes this unit unique.” In contrast, another nurse stated: “We are medical and health professionals. We do professional work. We take care of sick patients, and we deal with their bodily fluids and get their slime all over us. So we should all look like medical professionals; we should be dressed in scrubs.” Thus, in this case, differences in philosophy (underlying assumptions) served to influence differences in dress — a visible symbol of the culture.

In addition to varying in key values and assumptions, organizational culture can also vary in strength and homogeneity. The *strength* of an organization’s culture will depend on the importance placed on its core values as well as on the degree of consensus that exists with regard to those values. Organizations with strong cultures tend to have a few core values that are seen as important guiding principles and are widely shared. *Homogeneity* refers to the consistency of culture within the organization. In some organizations there is one dominant culture. In others, particularly in large organizations, there may be several *subcultures*. For example, the culture might vary across functions or geographic locations. The culture in an R&D department might be quite different from that in production or in sales. Similarly, there might be noticeable differences in the culture within an organization’s offices in Halifax, Montreal, Toronto and Vancouver. Culture differences can be found in other subgroups within an organization as well. Interestingly, the nurses who were quoted above worked on different shifts within the same rehabilitation unit. The stronger an organization’s dominant culture, however, the less variability one would expect across groups within the organization.

## 9.2 THE MEASUREMENT OF ORGANIZATIONAL CULTURE

There are those who argue that, because organizational culture exists on different levels and involves the complex interplay among components at each level, it can only be studied through in-depth analysis of an organization. Such an analysis would involve the use of interviews, observation and surveys to solicit information from various sources within, and possibly outside, the organization. We agree that any organization that is serious about understanding, and perhaps modifying, its culture should undertake such an analysis. We also recognize, however, that to talk about and compare cultures across organizations we need a standard way of defining and measuring culture. More specifically, we need to identify the ways in which cultures differ, and we need to be able to measure how much of a particular culture characteristic an organization has.

As we’ll see, most attempts to develop measures of culture focus on values — the middle level identified by Schein. One reason for this is perhaps that artifacts are too numerous and idiosyncratic,

<sup>2</sup> M. G. Pratt & A. Rafaeli, “Organizational dress as a symbol of multilayered social identities” *Academy of Management Journal* 40 (1997) 862.

and basic assumptions are too difficult to get at without the kind of in-depth analysis described above. Core values, by contrast, are more limited in number and, although not immediately obvious, are accessible if we ask the right questions. Unfortunately, however, even in the case of values, there is no universal agreement concerning their nature or number. Indeed, over the years, several different taxonomies and measures have been developed. For illustrative purposes, we focus discussion here around a value taxonomy developed by Paul McDonald and Jeffery Gandz at The University of Western Ontario.<sup>3</sup> We chose this taxonomy primarily because it was derived through interviews conducted largely with Canadian businesspeople. Moreover, it is quite similar to other taxonomies currently being used in research and practice.

Based on in-depth interviews with senior managers and management consultants, as well as a review of earlier value classifications, McDonald and Gandz identified 24 cultural values. They suggested that every organization has elements of all 24 of these values, but that the relative importance of each value varies across organizations. Moreover, further analysis of their interview data led them to group the 24 values into four distinct categories that they labelled task-oriented values, change-related values, status quo values and relationship-oriented values. The 24 values, sorted into the four groupings, are identified in Exhibit 9.2.

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## EXHIBIT 9.2

### A Taxonomy of Cultural Values

#### ***Relationship-oriented Values***

Broad-mindedness	Accepting different viewpoints and opinions
Consideration	Being caring, kind and considerate
Co-operation	Being co-operative and working well with others
Courtesy	Being polite and having respect for individual dignity
Fairness	Being fair and providing just recognition based on merit
Forgiveness	Being forgiving and understanding when errors occur
Humour	Creating fun and being light-hearted
Moral Integrity	Being honourable and following ethical principles
Openness	Being straightforward, sincere and candid in discussions
Social Equality	Being equal to others and avoiding status differences

#### ***Task-oriented Values***

Aggressiveness	Being aggressive and pursuing goals vigorously
Diligence	Working long and hard to achieve results
Initiative	Seizing opportunity and taking responsibility without hesitation

#### ***Change-related Values***

Adaptability	Being flexible and changing in response to new circumstances
Autonomy	Being independent and free to act

<sup>3</sup> P. McDonald & J. Gandz, "Getting value from shared values" *Organizational Dynamics* 20:3 (1992) 64-77.

Creativity	Developing new ideas and applying innovative approaches
Development	Achieving personal growth, learning and development
Experimentation	Taking a trial and error approach to problem solving

#### **Status Quo Values**

Cautiousness	Being cautious and minimizing exposure to risk
Economy	Being thrifty and careful in spending
Formality	Upholding proper ceremony and maintaining tradition
Logic	Being rational and thinking in terms of facts and figures
Obedience	Complying with directions and conforming to rules
Orderliness	Being neat, tidy and well-organized

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*Adapted from P. McDonald & J. Gandz, "Getting value from shared values" Organizational Dynamics 20:3 (1992) 64-77.*

Imagine for a moment that the four groupings of values in Exhibit 9.2 represented the values held by four different organizations. These four organizations would clearly have a different "feel." We would also expect to see visible signs of these different value priorities. Among other things, the HRM practices might be quite different. For example, a firm with strong task-oriented values might recruit and select employees who are hard-working, aggressive and diligent. Employees would be evaluated on their ability to achieve performance goals and would be rewarded on the basis of their individual accomplishments.

A company with strong change-related values would be expected to use HRM practices that encourage creativity and innovation. Consequently, this company would recruit and select employees with the latest skills and with a penchant for change and adaptability. A great deal of money is likely to be spent on training and development, and it might indeed be this opportunity for training and development, rather than employment security, that is used to attract employees. The company itself is likely to have a very flexible structure, and decision-making would be decentralized.

In contrast, an organization characterized by strong status quo values is likely to be very hierarchical with centralized decision-making and formal procedures. Employees would be selected for qualities such as stability rather than high levels of knowledge, skill or ability. For example, McDonald and Gandz described one company that specifically avoided hiring "stars." One of the managers in the company explained, "We prefer engineers who have slogged through to get a 2.5 GPA to those with a 3.75 or 4.00 — we're looking for the type of person who wants a quiet, stable, long-term future."<sup>4</sup> Training in such an organization is likely to be provided on an "as needed" basis, and salary and promotions are likely to be based on length of tenure rather than merit.

Finally, a firm that places great importance on relationship-oriented values is likely to use a participative style of management and emphasize team rather than individual performance. McDonald and Gandz, for example, described a company that terminated a manager who had just achieved record profitability in his department because his "aggressive, task-oriented behaviour" interfered with his desire to maintain harmonious relationships.<sup>5</sup> Employees are likely to be selected for their ability to "fit in" and employee referral might be a preferred method of recruitment.

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<sup>4</sup> McDonald and Gandz, *ibid.* at 71.

<sup>5</sup> McDonald and Gandz, *ibid.* at 70.

Of course, unlike the hypothetical companies just described, most organizations reflect varying degrees of all of the different value orientations. Nevertheless, the fact that we can make inferences about the HRM practices of an organization based on knowledge of its values suggests that values and management practices are linked. Values are likely to guide HRM practices, and these strategies and practices, in turn, communicate and reinforce values. As we discuss later, they are also potential levers for culture change.

We noted earlier that the value taxonomy developed by McDonald and Gandz is one of many. In Exhibits 9.3, 9.4 and 9.5, we provide a summary of some other taxonomies currently in use, along with sources where readers can get additional information. We draw attention to the fact that there is considerable overlap across the various taxonomies, both in the specific values and in their groupings. Note, however, that these taxonomies are only intended as a means of facilitating communication among scientists and practitioners interested in organizational culture. They do not provide an exhaustive list of values, nor do they capture all of the ways that values can combine to form a particular organization's culture. For this reason, we advise that the choice of instruments to use in assessing culture be made carefully. Where time, money and resources permit, an employer might use these taxonomies as a starting point for the design of a tailor-made instrument better suited to the assessment of values of interest to the organization. These instruments need not be restricted to surveys, but might also include interviews, focus groups or analysis of archival data (e.g., policy and procedure manuals or annual reports). In Exhibit 9.6 we provide a set of generic questions that might be used as a guide in designing these instruments.

## EXHIBIT 9.3

## Values From the Organizational Culture Profile

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|--|---|
| 1. Flexibility   | 28. Decisiveness  |
| 2. Adaptability  | 29. Being action-oriented <sup>d</sup>                    |
| 3. Stability <sup>b</sup>                                      | 30. Taking initiative                                     |
| 4. Predictability <sup>b</sup>                                 | 31. Being reflective                                      |
| 5. Being innovative <sup>a</sup>                               | 32. Being achievement-oriented <sup>d</sup>               |
| 6. Being quick to take advantage of opportunities <sup>a</sup> | 33. Being demanding                                       |
| 7. A willingness to experiment <sup>a</sup>                    | 34. Taking individual responsibility                      |
| 8. Risk-taking <sup>a</sup>                                    | 35. Having high expectations for performance <sup>d</sup> |
| 9. Being careful <sup>b</sup>                                  | 36. Opportunities for professional growth                 |
| 10. Autonomy <sup>b</sup>                                      | 37. High pay for good performance                         |
| 11. Being rule-oriented <sup>ab</sup>                          | 38. Security of employment <sup>b</sup>                   |
| 12. Being analytical <sup>e</sup>                              | 39. Offers praise for good performance                    |
| 13. Paying attention to detail <sup>e</sup>                    | 40. Low level of conflict                                 |
| 14. Being precise <sup>e</sup>                                 | 41. Confronting conflict directly                         |
| 15. Being team-oriented <sup>f</sup>                           | 42. Developing friends at work                            |
| 16. Sharing information freely                                 | 43. Fitting in  |
| 17. Emphasizing a single culture throughout the organization   | 44. Working in collaboration with others <sup>f</sup>     |
| 18. Being people-oriented <sup>f</sup>                         | 45. Enthusiasm for the job                                |
| 19. Fairness <sup>c</sup>                                      | 46. Working long hours                                    |
| 20. Respect for individuals' rights <sup>c</sup>               | 47. Not being constrained by many rules                   |
| 21. Tolerance <sup>c</sup>                                     | 48. An emphasis on quality                                |
| 22. Informality  | 49. Being distinctive/different from others               |
| 23. Being easy-going   | 50. Having a good reputation                              |
| 24. Being calm   | 51. Being socially responsible <sup>g</sup>               |
| 25. Being supportive   | 52. Being results-oriented <sup>d</sup>                   |
| 26. Being aggressive <sup>g</sup>                              | 53. Having a clear guiding philosophy                     |
| 27. Being highly organized                                     | 54. Being competitive <sup>g</sup>                        |

*Adapted from C. A. O'Reilly III, J. A. Chatman & D. Caldwell, "People and organizational culture: A profile comparison approach to assessing person-organizational fit" Academy of Management Journal 3 (1991) 487-516.*

*Note:* Of these 54 values, 27 can be grouped to form 7 distinct cultures. The 7 types of culture are:

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|---------------------------------|----------------------------------|
| <sup>a</sup> innovative         | <sup>e</sup> attentive to detail |
| <sup>b</sup> stable             | <sup>f</sup> team-oriented       |
| <sup>c</sup> respect for people | <sup>g</sup> competitive         |
| <sup>d</sup> outcome-oriented   |                                  |

The values associated with each culture are indicated by the corresponding letter.

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**EXHIBIT 9.4****Cultural Styles From the Organizational Culture Inventory**

Organizational culture is classified in terms of the following 12 styles that reflect behavioural norms and expectations:

1. **Humanistic/Helpful culture.** Employees are managed in a participative and person-centred way. Members are expected to be supportive, constructive and open to influence when interacting with others.
2. **Affiliative culture.** Priority is placed on constructive interpersonal relationships. Employees are expected to be friendly, open and sensitive to the satisfaction of their colleagues.
3. **Approval culture.** Conflicts are avoided and interpersonal relationships are pleasant — at least superficially. Employees feel that they should agree with, gain the approval of, and be liked by, others.
4. **Conventional culture.** This culture is conservative, traditional and bureaucratic. Employees are expected to conform, follow the rules, and make a good impression.
5. **Dependent culture.** Organizations with this type of culture are hierarchically controlled and non-participative. Centralized decision-making is common and employees do only what they are told. They clear all decisions with superiors.
6. **Avoidance culture.** Successes are not rewarded, but mistakes are punished. This negative reward system leads members to shift responsibilities to others and avoid any possibility of being blamed for a mistake.
7. **Oppositional culture.** Confrontation prevails and negativism is rewarded. Employees gain status and influence by being critical and are encouraged to oppose co-workers' ideas.
8. **Power culture.** This type of culture is characteristic of non-participative organizations structured on the basis of the authority inherent in employees' positions. Members believe that they will be rewarded for taking charge and controlling subordinates.
9. **Competitive culture.** Winning is valued, and employees are recognized and rewarded for out-performing one another. People function in a "win-lose" framework and believe that they must work against (instead of with) their colleagues to be noticed. This culture promotes turning one's job into a competition, and appearing to never lose.
10. **Competence/Perfectionistic culture.** Perfectionism, persistence and hard work are valued. Employees feel that they must avoid all mistakes, keep track of everything and work long hours to attain narrowly-defined objectives.
11. **Achievement culture.** Goal achievement and quality performance are valued. Employees set challenging but realistic goals, establish plans to reach these goals and pursue them with enthusiasm.



- 12. Self-actualization culture.** Creativity, quality (versus quantity), task accomplishment and individual growth are valued. Employees are encouraged to gain enjoyment from their work, develop themselves, think in unique and independent ways, and take on new and interesting activities.

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*Adapted from R. A. Cooke & D. M. Rousseau, "Behavioral norms and expectations: A quantitative approach to the assessment of organizational culture" Group and Organization Studies 13:3 (1988) 245-273.*

*Note:* These cultural values are arranged on a circumplex. That is, they are arranged in a pie with each value represented by a slice, and values 1 and 12 adjacent to one another. In a circumplex, the values closest to one another are most compatible. For further information and an illustration of the circumplex, see R. A. Cooke & J. C. Lafferty, *Level V: Organizational Culture Inventory — form I* (Plymouth: Human Synergistics, 1983); and R. A. Cooke & J. C. Lafferty, *Level V: Organizational culture inventory — form III* (Plymouth: Human Synergistics, 1986).

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## EXHIBIT 9.5

### The Competing Values Model

#### Group Culture

Participation, open discussion  
Empowerment of employees to act  
Assessing employee concerns and ideas  
Human relations, teamwork, cohesion

#### Developmental Culture

Flexibility, open discussion  
Expansion, growth, development  
Innovation and change  
Creative problem-solving processes

#### Hierarchical Culture

Control, centralization  
Routinization, formalization, structure  
Stability, continuity, order  
Predictable performance outcomes

#### Rational Culture

Task focus, goal achievement  
Direction, objective-setting, goal clarity  
Efficiency, productivity, profitability  
Outcome excellence, quality

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*Adapted from R. E. Quinn & G. M. Spreitzer, "The psychometrics of the competing values culture instrument and an analysis of the impact of organizational culture on quality of life" Research in Organizational Change and Development 5 (1991) 115-142.*

*Note:* The four characteristics listed within each culture category are items taken from Quinn and Spreitzer's (1991) measure of organizational culture.

**EXHIBIT 9.6****Diagnosing Organizational Culture: Sample Questions**

1. What are five words that you would use to describe your company?
  2. What is the "gist" of some of the company stories that are told over and over again?
  3. When outsiders visit your offices, what do they notice at first sight?
  4. What do company executives pay the most attention to?
  5. What kinds of behaviours get rewarded at your company?
  6. Who really "fits in" at your company? Who doesn't? Why not?
  7. Who are the company's "heros?" What values did they espouse?
  8. What values and assumptions are reflected in your company's vision and mission statements?
  9. What "themes" are reflected in your company's annual report?
  10. What message is being sent to employees in your company's newsletter?
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**9.3 ORGANIZATIONAL CULTURE AND EMPLOYEE RETENTION**

Organizational culture is increasingly being touted as an important selling feature as companies attempt to attract and retain valued employees. Employers are being advised to evaluate their cultures and, where necessary, change them to increase their attractiveness to employees. As we discuss below, this is not an easy thing to do. To determine whether culture change is "worth the effort," there are some important questions that need to be answered. The first and most basic question is, *does* culture have an influence on employees' willingness to continue working for an organization? Second, is there "one best" culture or are different cultures likely to be attractive to different kinds of people? Finally, are some cultures more conducive than others to the retention of high performers? In an attempt to answer these questions, we provide a brief summary of the findings of empirical research.

The question of whether culture is related to employee retention has been addressed in different ways. Some investigators preferred to take a holistic approach and to consider the impact of the "overall" culture on an organization's ability to retain its employees. For example, Paul McDonald had employees indicate their own personal values and the values of their organization. Ratings were obtained using the 24 values described earlier (see Exhibit 9.2), and were used to create a personal value profile and an organizational value profile. McDonald found that the more similar the value profile of the organization was to an individual's personal value profile, the more committed that employee was to the organization,

and the less likely it was that he or she would plan to seek employment elsewhere.<sup>6</sup> Similarly, Charles O'Reilly and his colleagues found that employees were more committed and less likely to leave when they described their organization's culture as similar to what they considered to be their *ideal* culture.<sup>7</sup>

In contrast to the holistic approach, other investigators have examined the impact of specific cultural values on commitment and retention. For example, Joan Finegan, a psychologist at the University of Western Ontario, asked employees in a Canadian subsidiary of a large international petrochemical company to describe their own values and the values of the organization. She used a slightly modified version of the value survey developed by McDonald and Gandz. Rather than comparing profiles, however, she grouped the values into four broad categories similar to those in Exhibit 9.2. She found that two of the four cultural value groups were positively related to employees' affective commitment, one was negatively related, and one was unrelated. Specifically, commitment was greater among employees who thought that the organization considered relationship-oriented (courtesy, consideration, co-operation, fairness, forgiveness, moral integrity) and change-oriented (development, initiative, creativity, openness) values to be important. In contrast, commitment was lower among those who thought that status quo values (obedience, cautiousness, formality) were important. The perceived importance of task-oriented values (logic, economy, experimentation, diligence) was unrelated to commitment.<sup>8</sup>

In another study, John Sheridan measured organizational culture within several major accounting firms located within a single metropolitan area. Again, rather than creating profiles, he combined ratings on various subsets of values to yield scores on seven *value dimensions*: detail; stability; innovation; team orientation; respect for people; outcome; and aggressiveness. He found that entry-level accountants hired into firms emphasizing interpersonal relationship values (respect for people, team orientation) stayed 14 months longer (45 months compared to 31 months) than those hired by firms that emphasized work task values (outcome, aggressiveness).<sup>9</sup>

Regardless of the research strategy used, therefore, evidence points to the fact that culture *does* matter — employee commitment and retention is related to the perceived organizational values. This brings us to our second question: Is there one culture that organizations should strive for if they want to keep employees, or will different individuals prefer different cultures? To date, we are unaware of any evidence to suggest that there is a single ideal culture profile. There is evidence, however, that some specific cultural values have a fairly universal appeal. For other values, the appeal seems to be less widespread.

Recall that Finegan found that employees in a large petrochemical company were more committed when they perceived the company to have strong relationship-oriented values. Similarly, Sheridan found that retention was greater in accounting firms that emphasized interpersonal relationships. Similar findings have been reported elsewhere.<sup>10</sup> Thus, if there are cultural values that are “universally” linked

6 P. McDonald, *Individual-organizational value congruence: Operationalization and consequents* (Doctoral Dissertation, School of Business Administration, The University of Western Ontario, 1993) [unpublished].

7 C. A. O'Reilly III, J. A. Chatman & D. Caldwell, “People and organizational culture: A profile comparison approach to assessing person-organization fit” *Academy of Management Journal* 3 (1991) 487-516. See also J. A. Chatman, “Matching people and organizations: Selection and socialization in public accounting firms” *Administrative Science Quarterly* 36 (1991) 459-484.

8 J. E. Finegan, “The impact of person and organization values on organizational commitment” *Journal of Occupational and Organizational Psychology* (in press).

9 Sheridan, J. E. “Organizational culture and employee retention” *Academy of Management Journal*, 35 (1992) 1036-1056.

10 S. G. Harris & K. W. Mossholder, “The affective implications of perceived congruence with culture dimensions during organizational transformation” *Journal of Management* 22 (1996) 527-547; K. Cameron & S. J. Freeman, “Cultural congruence, strength, and type: Relationships to effectiveness” in R. W. Woodman and W. A. Passmore, eds., *Research in organizational change and development*, vol. 5 (Greenwich: JAI Press, 1991) 23-58; R. F. Zammuto & J. Y. Krakower, “Quantitative and qualitative studies of organizational culture” in R. W. Woodman and W. A. Passmore, eds., *Research in organizational change and development*, vol. 5 (Greenwich: JAI Press, 1991) 83-114.

to commitment and retention, they appear to be values that contribute to fair and humane treatment of people. This should come as no surprise and is completely consistent with the model of commitment we presented in Chapter 3.

The fact that this finding is not earth-shattering should not encourage complacency. That relationship-oriented values relate to commitment and retention indicates that there is variability in the extent to which these values characterize the culture of organizations. If all employers were currently capitalizing on this “common-sense finding,” there would be no variability across organizations on this value dimension and it would be impossible to find an impact on commitment, turnover or any other index of organizational success. To the contrary, as Jeffery Pfeffer points out, it is precisely the fact that relatively few organizations actually espouse these values that gives competitive advantage to those that do.<sup>11</sup>

Are there other values that are “universally” attractive? Recall that Finegan also found that commitment was generally greater among employees who viewed their organization as having strong change-oriented values. In this case, however, she found that the impact of change-oriented values varied as a function of how much employees themselves held these values. The most positive impact of change-related values on commitment was observed for those employees who held similar personal values. Other investigators have also provided evidence for a link between change-related, or development-oriented, culture and employee commitment and retention.<sup>12</sup>

This finding might seem surprising in light of the common perception that employees are resistant to change.<sup>13</sup> We suspect, however, that these values are appealing to many employees because they signal that the organization is forward-looking and plans to exist, and perhaps grow, in the future. As we discuss in more detail in Chapter 11, this set of values is particularly attractive to employees with specialization in information technology because of the link between a change-oriented culture and the opportunity for skills training and development. Indeed, several Canadian companies in high tech industries, including Cisco Systems Canada and Nortel Networks, have been very successful in their recruitment and retention efforts by promoting this kind of culture.<sup>14</sup>

We have considered values that have universal, or near universal, appeal. Might there also be organizational values that are widely viewed as unattractive? Recall that Sheridan found turnover rates to be higher among accounting firms with strong task-oriented values. Robert Quinn and his colleagues also found that organizations with dominant hierarchical values (see Exhibit 9.5) were viewed less positively than those with other value orientations.<sup>15</sup> Upon closer examination, it appears that task- or rule-oriented values are not unappealing in and of themselves. Rather, it is a focus on these values to the exclusion of relationship-oriented values that is most likely to be a problem. Robert Blake and his associates have long argued that the most effective organizations are those that balance people-oriented issues with task-

11 J. Pfeffer, *Competitive advantage through people* (Boston: Harvard Business School Press, 1994).

12 Harris & Mossholder, *supra* note 10; Zammuto & Krakower, *supra* note 10.

13 J. Kotter & L. Schlesinger, “Choosing strategies for change” *Harvard Business Review* 57:2 (1979) 106-114; P. Strebler, “Why do employees resist change?” *Harvard Business Review* May-June (1996) 86-92.

14 See B. Hill, “Canada’s high-tech brains drain back home” *Financial Post* (2 September 1999) C3; J. Greenwood, “Agents of change make radical moves” *The Financial Post* 500 (June 1999) 48-50.

15 R. E. Quinn & G. M. Spreitzer, “The psychometric properties of the competing values culture instrument and an analysis of the impact of organizational culture on quality of life” in R. W. Woodman and W. A. Passmore, eds., *Research in organizational change and development*, vol. 5 (Greenwich: JAI Press, 1991) 115-142.

oriented issues.<sup>16</sup> Similarly, Quinn has argued that the “best” organizational culture is one that balances the major value groups.<sup>17</sup>

There are still other cultural values that are likely to appeal more to some individuals than to others. Thus, the impact of these cultural values on employee commitment and retention will vary. For example, Christine Koberg and Leonard Chushmir found that the link between culture and employees’ intentions to leave the organization was influenced by employees’ personality. Individuals who had a strong achievement orientation preferred organizations that valued innovation, whereas highly social individuals preferred a supportive culture, and those who enjoyed being in positions of power preferred a hierarchical organization.<sup>18</sup>

In summary, the answer to our second question, whether there is one best culture for attracting and retaining employees, appears to be “It depends.” Employee-oriented values are likely to be universally appealing and to contribute positively to commitment and retention. Task- or rule-oriented values that take precedence over all other values, particularly employee-oriented values, appear to be unattractive. For other values, the benefits appear to be dictated by the nature of employees’ own values or personalities. The design or redesign of an organizational culture, therefore, should involve careful attention to the preferences of those employees who the organization wants to attract or retain.

We turn now to our third question: **Are some cultures more conducive than others to the retention of high performers? Although it has been argued that the culture that appeals to strong performers might be different from that which appeals to weaker performers,<sup>19</sup> this hypothesis has not been widely tested.** The study by Sheridan that we described earlier, however, provides some insight.<sup>20</sup> Recall that Sheridan found that new employees in accounting firms emphasizing interpersonal relationships stayed 14 months longer than those in firms emphasizing work task values. To determine whether culture had a different impact on turnover for employees with different performance levels, he compared the survival rates of weak and strong performers (based on supervisor evaluations) within the two different cultures. He found no difference in length of stay in firms that emphasized interpersonal relations. In contrast, strong performers stayed 13 months longer than weaker employees in organizations that emphasized work task values.

Sheridan’s findings suggest a possible dilemma for organizations interested in using culture as a retention tool. **A culture that promotes strong relationship values appears to increase the retention of both strong and weak employees. That is, it reduces both dysfunctional and functional turnover.** On the other hand, a culture in which work task values are particularly salient, although less appealing overall, will be more attractive to strong performers than weak performers. This dilemma will have to be addressed, like any other business decision, with a cost-benefit analysis. If the employer has done a good job of selecting in the first place, even the weaker employees may be performing quite effectively. Consequently, their leaving would not be considered functional. A relationship-oriented culture would,

16 R. R. Blake & J. S. Mouton, *The managerial grid* (Houston: Gulf Publishing Company, 1978); R. R. Blake & Adams, *Leadership dilemmas — grid solutions* (Houston: Gulf Publishing Company, 1991). A. K. O. Yeung, J. W. Brockbank & D. O. Ulrich, “Organizational culture and human resource practices: An empirical assessment” in R. W. Woodman and W. A. Passmore, eds., *Research in organizational change and development*, vol. 5 (Greenwich: JAI Press, 1991) 59-81.

17 R. E. Quinn, *Beyond rational management: Mastering the paradoxes and competing demands of high performance* (San Francisco: Jossey-Bass, 1988); Yeung, Brockbank & Ulrich, *ibid*.

18 C. S. Koberg & L. H. Cushmir, “Organizational culture relationships with creativity and other job-related variables” *Journal of Business Research* 15 (1987) 397-409.

19 J. Kerr & J. W. Slocum, “Managing corporate culture through reward systems” *Academy of Management Executive* 1:2 (1987) 99-108.

20 Sheridan, *supra* note 9.

in this case, be advantageous. On the other hand, when the weak performers fall considerably below the desired standard, a culture that emphasizes work tasks over relationships might be of benefit, even though there is likely to be a slightly higher turnover rate among the top performers as well.

Of course, this dilemma only exists if we make the assumption that valuing work tasks and relationships are mutually exclusive. It appears from Sheridan's investigation of accounting firms that there are organizations where one set of values predominates over another. As we noted earlier, however, it is not clear that this has to be the case. Although balancing these two potentially competing values might be difficult, there appears to be no inherent reason why an organization must necessarily give higher priority to one over the other.<sup>21</sup>

**In sum, culture is an important factor in influencing employees' commitment to the organization and their willingness to remain and work toward organizational goals. Employees will be particularly attracted to organizations with values that are congruent with their own, or that match what they consider to be ideal organizational values.** This is most easily achieved by building a culture where a key underlying assumption is that "people are important," and where relationship-oriented values and behavioural norms are dominant. (See Case in Point 9.1 for an example of how one company conveys this culture.) This is a defining characteristic of virtually all of those organizations that have been identified as employers of choice.<sup>22</sup> Although it also seems that growth-oriented values have fairly broad appeal, some people are more attracted to this kind of culture than are others. Beyond this, the values an organization should promote in building a culture will depend on the kind of employees it hopes to attract and retain, as well as on its overall business strategy. We examine these considerations in more detail in the following section.

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### CASE IN POINT 9.1

#### Conducting Site Visits: One Way to Foster a "People-oriented" Culture

Enbridge Services, a provider of energy-related services and products, prides itself on valuing its employees. According to top management, employees are a strategic part of the business, and without them, the company would not be successful. A key to making people feel valued is treating them with dignity and respect.

As an example of this perspective, the President and Chief Executive Officer, the General Manager, and the Director of Human Resource Services travel to the district offices, stores and other locations around Ontario to meet with front-line employees. This trio was chosen because they are members of the executive team and well-positioned to answer employee questions and concerns. The team meets with employees for two hours to educate them about the company's vision and objectives, and to thank them for their ongoing contribution and commitment to the company. They also use the opportunity to get feedback from, and talk informally with, employees.

The first 15-20 minutes of the visit is a casual "meet and greet," typically held over coffee and doughnuts. Then, each executive speaks for about 15 minutes, updating employees about the

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21 R. R. Blake & J. S. Mouton, "A comparative analysis of situationalism and 9,9 management by principle" *Organizational Dynamics* Spring (1982) 20-43.

22 E. Innes, J. Lyon & J. Harris, *The Financial Post 100 Best Companies to Work for in Canada* (Toronto: Harpur Row, 1991); Gordon, A. "35 Best Companies to Work For," *Report on Business Magazine* (February 2000) 24-32.

company's strategy and progress in achieving it. The presentations are very informal. The atmosphere is relaxed. Following the executives' talks, there is a 30 minute question and answer period, at which point employees direct their questions and concerns to the trio. Then, there is a 15-20 minute "site showcase" — an opportunity for employees to share something of interest with the executive team. Some have presented sales figures, some an efficient process, and others have given a tour of their facilities. The site visit concludes with another question and answer period.

So far, response to the site visits has been overwhelmingly positive. The executives like the first-hand knowledge of employees' thoughts, questions and concerns, as well as the opportunity to see how the district offices and stores are functioning. The employees like the small group interaction (there typically are no more than 20 people and, at some sites, less than 10) and prefer it to "town hall" meetings. They are less intimidated in this setting, and feel that it is a very relaxed interaction. Moreover, they sense that management truly cares about what they think — why else would they take time out from their busy schedules to come out and personally see them? In exchange for this treatment, employees are personally committed to the company and its customers, and express a desire to stay with the organization.

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*Interview with the Director of Human Resource Services (Enbridge Services, January 2000).*

## 9.4 WHAT CAN BE DONE TO BUILD OR CHANGE AN ORGANIZATION'S CULTURE?

Given that organizational culture can contribute to an organization's ability to attract and retain good employees, what can an organization do to build, or change, its culture? To answer this question, let's consider how culture develops naturally. As we noted earlier, culture develops gradually and involves the dynamic interaction of elements within the three levels illustrated in Exhibit 9.1: visible artifacts, core values and underlying assumptions. In some cases, the culture of an organization reflects the underlying assumptions and core values of its founder. These assumptions and values will have guided the decisions that set the company on its path, as well as the selection of managers and staff, the reward structures, and so on. Stories and myths about the origins of the organization, or about its heroes and villains and its successes and failures, can be powerful vehicles for conveying culture to future generations of employees.

In other cases, the development of culture is more subtle. As Benjamin Schneider has pointed out, there are natural processes of attraction, selection and retention that lead to increasing homogeneity in an organization.<sup>23</sup> That is, individuals are attracted to organizations that employ others like them. Similarly, companies select those who are most likely to fit in. Mismatches typically result in termination — voluntary or involuntary. Consequently, organizations gradually staff themselves with like-minded individuals who accept a common way of doing things. Thus, whether initiated by a powerful founder or influential CEO, or gradually shaped by circumstances, corporate strategy and HRM practices become well ingrained and continue to reinforce underlying beliefs and values.

With this development process in mind, let's now consider what an organization can do to build, or change, its culture. A new organization, or one with a relatively weak culture, will find this task much

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<sup>23</sup> See B. Schneider, "The people make the place" *Personnel Psychology* 40 (1987) 437-454; B. Schneider, H. W. Goldstein & D. B. Smith, "The ASA framework: An update" *Personnel Psychology* 48 (1995) 747-753.

easier than will organizations whose existing culture is strong and well-established. There are several steps that the former might take. To begin, it is important for top management to develop a strategic plan and to identify the cultural values that are most compatible with this plan. The development and communication of clear vision and mission statements will serve as an important starting point in promoting the desired values. Beyond this, appropriately designed selection, training, performance management and compensation practices will help to reinforce the desired values and behavioural norms. We provided guiding principles for the design of these HRM practices in the preceding chapters.

Changing a strong culture will involve similar procedures but is considerably more difficult, although not impossible. It will also take much longer. The experience of Michael Gerstner at IBM is a classic example of the struggle that any organization will have to go through, particularly if the existing culture is strong and has been in existence for years.<sup>24</sup>

As the first outsider to head up the company in its 70-year history, Gerstner saw a need for radical change. He therefore started by attempting to change the core beliefs and values that were the essence of IBM's culture. He replaced the three basic values at IBM (pursuit of excellence, customer service, respect for the individual) with eight more results-oriented goals. These changes in basic values and assumptions were accompanied by changes to policies such as those pertaining to job security and dress. Naturally, these changes were met with resistance and they took a long time to implement. That this occurred is not surprising given IBM's storied history. As change expert David Nadler has observed, sometimes the biggest obstacle to future success is past success — it is very difficult to give up doing things that have previously worked well.<sup>25</sup> Successful culture change will take time and will ultimately have to address all three levels of culture.

Attempting to change a culture will obviously have implications for employee retention. Employees who feel comfortable in the existing culture are likely to resist change and might prefer to leave. Whether this is functional or dysfunctional turnover will depend on the circumstances. To the extent that turnover is judged to be dysfunctional, change will have to be implemented in such a way that the loss of valued employees is minimized. We discuss the impact of organizational change on turnover more generally in Chapter 10. For now, we provide some basic guidelines for the introduction of culture change. Specifically, we consider four major levers for change: top-level management; HRM policy and practice; operational management; and organizational structure. We highlight these below, and offer other ways to change an organization's culture in Exhibit 9.7. In Exhibit 9.8, we offer a collection of examples of strategies used by companies who have recently undergone culture change.

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## EXHIBIT 9.7

### How to Change an Organization's Culture: Some Suggestions

Changing an organizational culture is very difficult, but it *can* be done. The turnaround of Chrysler Corp., AT&T and IBM prove it. It takes at least a few years, though, and it is most likely to succeed if the organization is young and small, there is a dramatic crisis or turnover in leadership, or the existing culture is relatively weak. The following suggestions might help to facilitate culture change:

24 L. Hays, "Gerstner is struggling as he tries to change ingrained IBM culture" *Wall Street Journal* (13 May 1994) A-1, 8.

25 D. A. Nadler, *Champions of Change* (San Francisco: Jossey-Bass Publishers, 1998).



1. Choose and agree on a business strategy.
2. Communicate the strategy throughout the organization. Be clear and consistent. Use as many communication vehicles as possible.
3. Have top management model the desired behaviour. Nothing conveys values better than the way management conducts itself. Remember: actions speak louder than words.
4. Create new stories, symbols, sayings and rituals to replace those associated with the old culture.
5. Select, promote and support employees who espouse the new way of doing things.
6. Redesign HRM processes to align with the new values. For example, change performance management systems so that behaviours desired in the new culture are rewarded. Recruit and hire employees who "fit in" with the new way of doing things. Train employees in the new way of doing things.
7. Where possible, implement job rotation. This will help dismantle old subcultures.
8. Conduct "rites of passage." A ceremonial burial of the past way of doing things and an initiation of the new way of doing things will help mark the transition.
9. Train managers and front-line supervisors in change management techniques. This way, they can help their subordinates make the transition to the new way of doing things.
10. Seek employee input in decisions that affect them in the new culture. They will be more likely to go along with what is asked of them, and take greater pride in doing so.
11. Change the organizational structure. If promoting a more participative or team-based environment, for example, you may want to have an open-concept environment and a flatter hierarchy.

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#### EXHIBIT 9.8

##### Examples of What Companies Have Done to Change their Culture

- **General Electric.** When Jack Welch first accepted his position as CEO of General Electric (GE), he told a fellow executive that he wanted "a revolution." Based on the formidable transformation of GE, no one can dispute that he got it. Although GE was highly successful before he took over, Welch wanted to improve it even further. He started by changing the company's goal. It used to be to grow faster than the economy; now, it is to be the world's most valuable company. To achieve this goal, Welch announced that every GE business must be number one or two in its industry. Then, he restructured the organization, combining many of GE's business units. Only those that would help make GE more of a service company, without compromising their competitive advantage in their respective markets, were retained. Once the structural changes were in place, Welch focused on the "innards" of GE — the HRM practices and culture. Spe-

cifically, he instigated changes that would promote a culture where people and their ideas were paramount. Among other things, he got rid of the bureaucracy and replaced it with empowerment, introduced GE's now famous workout process, and committed to a performance management system whereby employees' performance is continually evaluated, and the bottom 10% are either given training and support to improve, or asked to leave. All evidence to date suggests that Jack Welch was successful in changing GE.

- **Nortel Networks Corp.** With the advent of deregulation and the Internet, CEO John Roth knew that he had a huge challenge in keeping Nortel Networks profitable. Rather than risk hanging onto the old way of doing business (making enormous and pricey systems, slowly and meticulously, for clients who could afford to wait years to get their products), Roth decided to compete in the new, fast-paced, Internet-driven marketplace. To be successful, however, Nortel would have to undergo tremendous change. In fact, it would have to reinvent itself. This required new technical expertise and a culture to complement it. To achieve these goals, Roth first dismantled the company's bureaucracy. He eliminated layers of management, laying off more than 3000 people in 1998 alone. Then, he moved responsibility down the corporate ladder, and empowered employees. Where Nortel did not have expertise, he bought it. First, he acquired Bay Networks Inc. Then, he bought Cambrian Systems and Shasta Networks Inc. Although Nortel is still in the midst of transformation, preliminary reports suggest that John Roth has been successful in changing the company and its culture.
- **Ballard Power Systems Inc.** Ballard Power Systems Inc. produces a fuel cell that can be used in zero-emission passenger vehicles. The technology is environmentally friendly, quiet and more efficient than current power sources. Leading car manufacturers are already using it in their development of zero-emission passenger vehicles, and the technology promises to have a huge impact on people's daily lives. The key to the company's success, however, is ensuring that the product is sound and commercially viable. To help achieve this goal, president and CEO Firoz Rasul has decided to shift Ballard's focus from R&D to manufacturing and commercial concerns. This is because Ballard has the technology; now it has to sell it. This transformation is a huge one, and it also entails a culture change. One thing that Ballard has done to achieve this end is to offer employees shares in the company. With an interest in the company's success, it is hoped that employees will align their interests with investors'. Ballard has also begun to recruit people who have experience in taking a technology to the commercial-product stage. Finally, the company is encouraging employees to envision what the company will have to look like to succeed five years from now. This way, they can propose innovations and cost-savings now, rather than reacting to circumstances in the future.

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G. Colvin, "The ultimate manager" *Fortune* (22 November 1999) 185-187; J. Greenwood, "Agents of change make radical moves" *The Financial Post* 500 (June 1999) 48-50; S. Fife, "Agents of change aim to invent the future" *The Financial Post* 500 (June 1999) 52-54.

## (1) Top-level Management

To be successful, culture change will require leadership from the top levels of the organization. Because organizational culture must be aligned with business strategy, an important first step in planned culture change is to develop and articulate that strategy. How does the organization plan to achieve competitive advantage? There are various alternatives. For example, Michael Porter has identified three general strategies for achieving competitive advantage: low cost production; product differentiation; and

customer focus.<sup>26</sup> The first requires careful attention to cost control, the second to establishing and maintaining a reputation for uniqueness (e.g., in quality or service), and the last to assessing and meeting the needs of a specific customer base. Similarly, Raymond Miles and Charles Snow make the distinction between two basic strategies: defender and prospector.<sup>27</sup> The defender strategy involves efforts to maintain one's existing market share by focusing on what the organization does best. The prospector strategy, on the other hand, places more emphasis on growth — success is achieved through innovation in product and service. **Regardless of what strategy, or combination of strategies, is chosen, it is imperative that there be consensus among top management with regard to strategy.<sup>28</sup> This strategy will serve as the framework for all other aspects of culture change.**

## (2) HR Policy and Practice

Once a clear business strategy is in place, HRM policies and practices will probably need to be modified to align with the strategy. Indeed, changes to HRM policies and practices can be powerful leverage points for the introduction of culture change. **Although, ideally, the underlying assumptions and values that are to guide the organization in the future will be clearly reflected in the strategic plan, they will become most visible to employees through HRM practices.** Reward structure will be a particularly powerful vehicle for the communication of organizational values.<sup>29</sup> Other practices, however, can also help to establish a culture that is consistent with business strategy. For example, a culture consistent with the defender strategy described above can be supported with practices that emphasize internal recruitment, process-focused performance evaluation and a compensation system that is internally consistent. In contrast, a culture that is compatible with a prospector strategy might be fostered better with external recruitment, results-oriented performance appraisal and an externally competitive compensation system.<sup>30</sup> We provide a more detailed discussion of specific HRM practices and their impact on culture and employee retention in Chapters 5 through 8.

## (3) Operational Management

In large companies, it is particularly important to ensure that managers and supervisors at all levels throughout the organization understand and promote cultural values through their words and actions. **Many employees “experience” the organization's culture primarily through interactions with their immediate supervisors.<sup>31</sup> Consequently, it is essential that all managers understand and accept the new goals and values.** This will require clear communication to ensure that the message “gets out,” as well as special attention to concerns that might arise as a result of the changes. For example, managers might be concerned about their own job security as a result of the change. They might also be concerned about their ability to manage under the new system. Those who have become accustomed to managing “by the book” might be threatened by a move to “empower the workers.” Similarly, those who are used to “directing” individuals might find it difficult to “coach” a team. Thus, in addition to clear communication, employers might need to provide opportunities for managers to develop the knowledge, skills and abilities required by their new roles.

26 M. E. Porter, *Competitive strategy* (New York: The Free Press, 1985).

27 R. Miles & C. Snow, “Designing strategic human resource systems” *Organizational Dynamics* 13 (1984) 36-52.

28 For a more detailed discussion of change management at the executive level, see Nadler, *supra* note 25.

29 Kerr & Slocum, *supra* note 19.

30 E. F. Cabrera & J. Bonache, “An expert HR system for aligning organizational culture and strategy” *Human Resource Planning* 22:1 (1999) 52-60.

31 See B. M. Meglino, E. C. Ravlin & C. L. Adkins, “A work values approach to corporate culture: A field test of the value congruence process and its relationship to individual outcomes” *Journal of Applied Psychology* 74 (1989) 424-432.

#### **(4) Organizational Structure**

Finally, it is possible that changes in strategic goals and organizational culture will require wholesale change in the structure of the organization. Discussion of such change goes well beyond the scope of this book. We simply want to acknowledge, however, that changes in technology, levels of authority, centralization of decision making or formalization of procedures will necessitate analysis of HR and operational management practices. Similarly, changes in these practices might require structural changes. For example, empowering employees by giving them more authority to make decisions might require changes in the communication structure to ensure that they have all the information required. Again, we reiterate the importance of aligning structure, management and strategy.

#### **9.5 SUMMARY**

In this chapter we explained what organizational culture is and how it can contribute to an employer's ability to attract and retain good employees. We provided a summary of existing culture measures and offered guidelines for how an organization might go about evaluating its current culture. Research suggests that, although there is no universal "best culture," employee commitment and retention is greater in organizations where people are highly valued. Beyond this, it is important that the culture of the organization be consistent with its overall business strategy and with the values of those employees it must attract and retain in order to be successful — good "person-organization fit" is essential. Achieving this fit might require adjustments to the employee selection process. It might also require efforts to change the culture of the organization. We concluded this chapter with some suggestions as to how this culture change might be achieved.