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What leaders need to know about organization culture

D. D. Warrick

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

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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.
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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

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). 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