**Organizational culture and leadership**, by Edgar Schein, 2010 (4th edition)

**Definition of organizational culture and leadership**

- **Main argument** is that « leaders as entrepreneurs are the main architects of culture, that cultures influence what kind of leadership is possible, and that if cultural elements become dysfunctional, leadership can and must do something to speed up cultural change » (p. xi)
- *culture* = an empirically based abstraction, encompasses many observable phenomena (rules of the game, habits, shared meanings, espoused values...), is stable, builds a coherent pattern of all observable phenomena.
- « The most fundamental characteristic of culture is that it is a product of social learning. » (p. 17)
- **Definition**: « The culture of a group can now be defined as a pattern of shared basic assumptions learned by a group as it solves its problems of external adaptation and internal integration, which has worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. » (p. 18)
- **Three levels of culture**:
  - *artifacts*: visible structures and processes, observed behavior
  - *espoused beliefs and values*: ideas, goals, values, ideologies...
  - *basic underlying assumptions*: unconscious, taken-for-granted beliefs and values.
- In many organisations, espoused beliefs are in contradiction with observed behavior, only by analyzing underlying assumptions can one understand why —> cultural analysis.
- Why is it so hard to change culture? Because « cultures tell their members who they are, how to behave toward each other, and how to feel good about themselves. » (p. 29)
- **Three categories of culture**:
  - *macrocultures*: the organization’s macro context (which country it is based in, the nationality of the founder(s), original team, etc.)
  - *subcultures*: based on function, hierarchy or occupational community
- **operator subculture**: those employees who produce the organization's products or services, their key preoccupation is that it's all about the people.

- **engineering/design culture**: those who design solutions, their key preoccupation is designing people out of the systems rather than into them.

- **executive subculture**: top managers in an organization, their key preoccupation is the necessity to maintain financial health, survival and growth of the organization.

- « One of the critical functions of leadership is to insure that these subcultures are aligned toward shared organizational goals. » (p. 57)

  - **microcultures**: inside teams, issue especially important in the case of multicultural teams.

### Dimensions of culture

- Important to observe both the **structure** (see above) of a culture and its **content**. Many dimensions proposed by anthropologists and organizational theorists.

- Schein adopts a functional perspective: organizations need to deal with
  - **external environment**: group formation and culture formation are two sides of the same coin, and the result of leadership activities and shared experiences. The objectives are to build shared assumptions about mission, strategy, goals, means, evaluation (how to evaluate success?) and corrective measures if goals not met.
  
  - **internal integration**: includes a common language, criteria for inclusion/exclusion (*identity*), distribution of power, *authority* and status, norms of trust & *intimacy*, allocation of rewards and punishments, and explaining the unexplainable (myths).

- « It is one of the most important functions of leadership to manage the group's focus and energy appropriately between these two sets of processes (external / internal dimensions). » (p. 93)

- Every culture is based on **deep assumptions** (as established by Parsons in 1951 and later Hofstede in 2001, i.a.), about:
  
  - **what is reality and truth?** Different levels include external physical reality, social reality and individual reality, but each shaped by macroculture.
- e.g. Hall’s (1977) low-context vs. high-context cultures, and Maruyama’s (1974) unidirectional vs mutual causal cultural paradigms.
- e.g. England’s (1975) moralism vs pragmatism dimension, related to Hofstede’s « uncertainty avoidance » dimension
- e.g. definition of ‘information’ varies between marketeers, salespeople, engineers, distribution and manufacturing people (Dougherty, 1990)

1. **The nature of time:** organizations can be primarily oriented towards past, present, near and distant future
   - e.g. Apple employees known to live in the present, vs. Japanese companies very good at long-term planning
   - e.g. Hall’s (1959) monochronic (linear) vs polychronic (cyclical or parallel) time perceptions
   - e.g. Dubinskas (1988) on difference between planning time and development time (subculture influence)

2. **The nature of space:** different levels include intimacy distance, personal distance, social distance, and public distance. But also symbolism of space (e.g. Google open space offices or government allocation of space on the basis of status), body language (e.g. where to stand in a meeting), challenged by new technologies.

3. **The nature of human nature, activities and relationships:** assumptions about humans include
   - whether they are intrinsically good or bad, Theory X vs Theory Y by McGregor (1960)
   - humans as rational-economic actors, not credible anymore
   - human complexity and variability (Schein, 1965)
   - 3 types of orientations in human activities: doing, being and being-in-becoming
   - human relations determined by dimensions of individualism vs collectivism (Hofstede, 2001), power distance, and fundamental characteristics (e.g. Hampden-Turner, 2000) of degree of emotionality, specificity vs diffuseness, universalism vs particularism, and ascription vs achievement.
• **Culture typologies and surveys:**
  - typologies help to make sense of complexity, help to define underlying structures and enable us to predict future behavior, but they also simplify reality and cannot be fully captured by surveys.
  - Assumptions about authority and intimacy:
    - e.g. Etzioni’s (1975) typology of coercive, utilitarian and normative organizations
    - « The search for the universally correct leadership style is doomed to fail because of cultural variation by country, by industry, by occupation, by the particular history of a given organization. » (p. 166)
    - e.g. Goffee and Jones (1998) distinguish between 2 dimensions (solidarity and sociability) to show 4 cultures: fragmented, mercenary, communal and networked
    - e.g. Cameron and Quinn (1999) have similar typology with dimensions of stability/flexibility and external/internal focus: hierarchy, clan, market and adhocracy.
    - e.g. Denison’s (1990) 12 dimensions of culture
    - e.g. Booz Allen Hamilton (2003) on what an innovative / successful culture would look like (p. 170)

• Deciphering culture: « culture is best revealed through interaction » (p. 179).
  - Schein recommends clinical research or inquiry where both researcher and subject are actively involved.

• External analysis works better than internal analysis, and always better to have a specific goal rather than to want to capture culture as a whole.

**Leadership’s role in building and evolving culture**

• Schein distinguishes between natural processes, scope of this chapter, and managed change, focus of the last chapter.

• When groups and organisations form, key issues are identity, authority and intimacy:
  - Schein believes one can lead by focusing on the process of what is going on instead of making content suggestions --> **process analysis**
Norms in a group survive when they prove useful (= successful). The two mechanisms of learning at play in group/culture formation are 1. positive problem solving, and 2. anxiety avoidance.

The stability of a group’s assumptions will reflect whether learning primarily result of success or avoidance of failure —> big impact on culture of the organization.

Pb of mature cultures/organizations: « how to avoid becoming so stable in its approach to its environment that it loses its ability to adapt, innovative and grow? » (p. 218)

**Founders create culture** through 3 main sources:
- beliefs, values and assumptions of founders
- learning experiences of group members
- new beliefs, values and assumptions brought in by new members/leaders.

**Leaders embed and transmit culture** through primary and secondary mechanisms:
- **primary mechanisms**, linked to leader directly:
  - what leaders pay attention to, measure and control regularly
  - how leaders react to crisis
  - how leaders allocate resources
  - role modeling, teaching and coaching
  - how leaders allocate rewards and status
  - how leaders recruit, select, promote and dismiss.
  
  -> importance of *consistency* in primary mechanisms, as well as emotional displays and informal messages (more powerful than formal ones)

- **secondary mechanisms**:  
  - organizational design and structure  
  - systems and procedures  
  - rites and rituals  
  - design of physical space  
  - stories, myths  
  - formal statements of vision, mission, strategy = espoused values.
As organizations mature and differentiate, the role of leaders changes. « One of the critical functions of leadership is to recognize the cultural consequences of different ways of differentiating. » (p. 271). Differentiation happens on the basis of:

- function/occupation
- geography
- product, market or technology
- divisionalization
- hierarchy.

Leaders need to be aware of how culture changes naturally. Schein distinguishes 10 culture change mechanisms, depending on the stage of the group’s evolution:

1. Incremental change through natural evolution
2. Insight
3. Promotion of hybrids within culture
4. Promotion from selected subcultures
5. Technological seduction
6. Infusion of outsiders
7. Scandal and explosion of myths
8. Turnarounds
9. Mergers and acquisition
10. Destruction and rebirth

Leadership’s role in managing culture change

- Dynamics of organizational change in a human system derived originally from Kurt Lewin (1947). He defines 3 stages of learning/change:
  
  - unfreezing /creating the motivation to change: Schein calls it disconfirmation, « transformative change implies that the person or group that is the target of change must unlearn something as well as learn something new. » (p. 301) —> unlearning is the most painful part.
  
  - learning new concepts, meanings and standards for judgment: learning happens when survival anxiety is stronger than learning anxiety.
There are two ways to learn:
- imitation and identification with role models (less sustainable)
- trial-and-error and inventing your own solutions.

Refreezing / internalizing new concepts, meanings and standards:

5 key principles for managed culture change:
- Survival anxiety or guilt must be greater than learning anxiety
- Learning anxiety must be reduced rather than increased survival anxiety
- Change goal must be defined concretely in terms of the specific problem you are trying to fix, not as « culture change »
- Old cultural elements can be destroyed by eliminating the people who « carry them », but new cultural elements can only be learned if the new behavior leads to success and satisfaction.
- Culture change is always transformative change that requires a period of unlearning that is psychologically painful.

- Schein proposes a 10-step cultural assessment technique p. 315-327, that should ideally be undertaken with help from outside.

New roles for leaders and leadership

- Need to think beyond organizations into new kinds of work units: multicultural task forces, joint ventures, partnerships and networks.
- Growing focus of cultural analysis on issues of authority (how power is handled) and intimacy (how love is handled) in a multicultural context, as not all dimensions of culture can be explored and understood.
- As the future becomes more complex and uncertain, leadership needs to evolve and leaders become « perpetual learners »
- What does a learning culture look like?
  - Proactivity: active problem-solving leads to learning
  - Commitment to learning to learn. « A learning culture must therefore value reflection and experimentation » (p. 367)
  - Positive assumptions about human nature. Humans are basically good. « A cynical attitude toward human nature is bound to create, at best,
bureaucratic rigidity, and at the worst time, counter-organizational subgroups. » (p. 367)

- Belief that the environment can be managed
- Commitment to truth through pragmatism and inquiry. No one expert enough to provide answer alone in complex, uncertain world.
- Positive orientation toward the future
- Commitment to full and open task-relevant communication.
  « Communication and information are central to the organizational well-being and must therefore create a multichannel communication system that allows everyone to connect to everyone else. » (p. 369) Interpersonal openness must be combined with task-relevant information (otherwise information overload).
- Commitment to cultural diversity
- Commitment to systemic thinking (Senge, Scharmer, etc.) « The learning leader must believe that the world is intrinsically complex, non-linear, interconnected, and ‘over-determined’ in the sense that most things are multiply caused. » (p. 371)
- Belief that cultural analysis is a valid set of lenses to understand and improve the world.

• What does the leader of the future look like?
  - Perception and insight to see their own weaknesses, have international exposure and a diverse career helps.
  - Motivation to unfreeze their own organization and know where their loyalty lies.
  - Emotional strength to provide psychological safety in transformative change moments.
  - Ability to change cultural assumptions by articulating and selling new values and concepts.
  - Ability to create involvement and participation in a genuine way, to listen. « The leader must recognize that, in the end, cognitive redefinition must occur inside the heads of many members of the organization, and that will happen only if they are actively involved in the process. » (p. 383)
Two techniques proposed by Schein to overcome multicultural traps in groups/teams:

- **temporary cultural island**: situation in which the rules for having to maintain face are temporarily suspended so that we can explore values and tacit assumptions, especially around authority and intimacy. E.g. checklist is a form of cultural island (you can understand it no matter your culture, status or relation to each other).

- **focused dialogue**: starts with check-in and then talking to the campfire, to avoid face-to-face conversations.

**Conclusion**

- "A cultural perspective that acknowledges the existence of national and occupational macrocultures, functional subcultures, and subcultures based on rank and common experience is therefore an essential component of organizational leadership." (p. 399)

- "The world is changing rapidly, but the issues of how we treat each other and how we handle status and authority remain remarkably stable." (p. 400)