

Perspectives on Organizational Cultures

In this chapter I lay the foundation for the subsequent parts that examine how leaders in organizations work on successful cultural change. Thinking about organizational culture is not new. We can discern four periods in the way we think about organizational culture. In the 1950s, culture in organizations was discovered. In the following decades, much effort was subsequently put into identifying and understanding the culture of organizations. During this period, culture was a phenomenon you could use to explain why organizations found it difficult to change. In the 1980s, it was about the issue of whether managers could make use of the company culture to gain a competitive advantage. The results of that endeavour were meagre. Twenty years further on, businesses renewed their interest in organizational culture. The question then was how leaders could contribute to a culture that tied in with the mission and the meaning of the organization. Culture was no longer isolated as a separate phenomenon nor was it any longer an instrument of management. Culture is inextricably connected to everything that an organization stands by and goes for. This brings culture into the picture as a point of special attention for leaders who want to qualify their company for the future.

Developments in Thinking about Organizational Cultures

The German economist and sociologist Max Weber¹ wanted to understand social conduct in organizations. In 1920, he already opposed the

arbitrariness and abuse of power that was common in factories and offices at that time. He formulated three core values against these situations of abuse: legal equality, legal certainty and justice. He exposed actions that adhered to tradition and entrenched habits, and formulated new values that were intended to be guiding. He also translated these new values into concrete behaviour. The rules for behaviour especially became well known and criticized in later times. Bureaucracy is discussed derisively, but often people forget that the rules for bureaucratic organizations were drawn up in a time of feudal labour relations with exploitation and arbitrariness. For that matter, Weber proposed an organization based on fairness, and he was also the first person to warn about the drawback of rationalization pushed to extremes because it would imprison people in an iron cage of rules and control. In the same period, Henri Fayol² emphasized the importance of unity of direction and “*esprit de corps*”. In an organization, everybody has to aim at the same target and good team spirit is conducive to harmony and solidarity, and essential for reaching those goals. Barnard,³ too, emphasized the enterprise as a cooperative system. He was the first to write about the organization as a personality that employees can identify with. Barnard was an entrepreneur and manager himself, and he tried to use community spirit to improve the collaboration between managers and employees and prevent conflicts.

In the 1950s, Elliot Jacques⁴ studied organizations as cultural units. He showed that values give guidance to behaviour in organizations and that those values are not directly related to the technical production process itself. He also made evident that a social system can withstand changes due to subconscious fear patterns and group dynamics. In the 1960s, Karl Weick⁵ presented his vision of organizations that made clear that the organizational culture consists not only of a set of material conditions and events that he could map out objectively but is constructed from interactions in which people give meaning to events. This creates pictures of reality that guide behaviour. From the 1980s, there was suddenly a lot of attention for the culture in organizations. Andrew Pettigrew⁶ proposed that myths, symbols, rituals and language are practical and useful for analyzing and understanding an organization. His research showed that an organization can have several sub-cultures that are connected to the position in the organization, the professional background of people or the nature of the work. In one of the first studies into the culture of organizations, Deal and Kennedy represented the organizational culture as a layered model. The culture is formed in the history and gains meaning and is visible in the daily

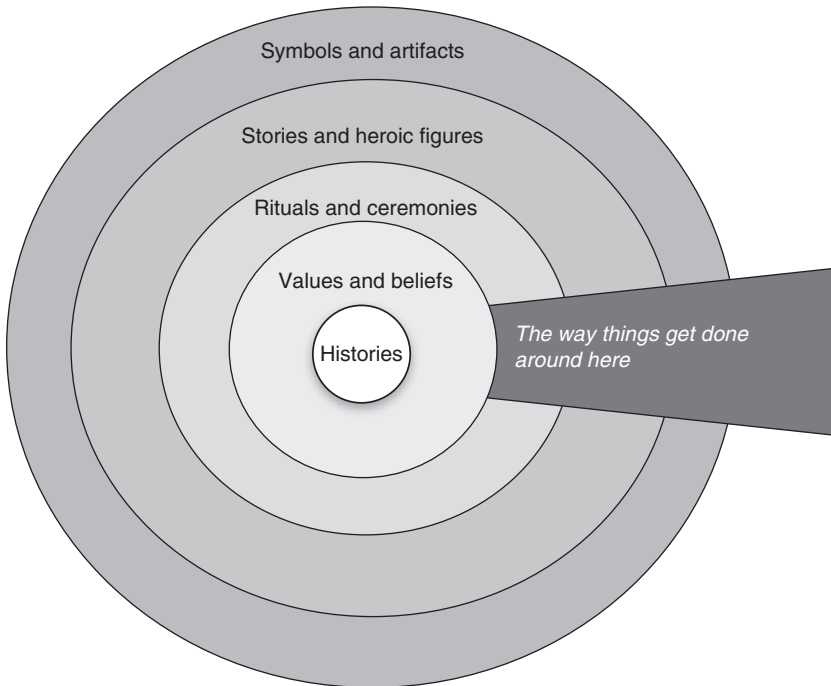


Figure 1.1 Organizational culture as a layered model. (Source: Based on Deal and Kennedy⁷.)

work practice and the entrenched patterns: “This is the way things get done around here” (Figure 1.1).

In this cultural model, the core of a company culture is formed by the history in which all kinds of convictions and core values arose in the survival of a community. A core value is something that people see as a generally positive characteristic of their behaviour. Many values are already made at an early age and are therefore usually implicit. The third ring concerns rituals and ceremonies. This involves collective activities that have an individual meaning, such as drinking coffee together at the start of the day or giving praise for good performance. These rituals result in entrenched patterns that people are scarcely aware of. These rituals and entrenched patterns are often fostered by heroes and the stories that circulate in the organization. The heroes are the role models imitated by others. Directors can be role models, as can the founders of family businesses, but successful colleagues can be role models too. The outermost

ring of the model consists of symbols and artefacts. They include specific use of words, company style and external characteristics such as clothing. The values, rituals, heroes and symbols gain meaning in the daily work practice.

In the 1980s, Harrison,⁸ Handy,⁹ and Deal and Kennedy⁷ provided profiles of organizational cultures. The studies have an anthropological nature. The studies concern discovering and describing the organizational culture as an element of an organization. You can understand organizations better if you also examine the culture in them. It is not only about diagnosing the production technique, the working methods, the structure and the strategy but also about forms of conduct and work practices. The profiles of organizational cultures help in the diagnosis of the cultural characteristics of a specific organization and enable us to explain apparently irrational behaviour. The profiles are also used to reflect on the existing and desired culture and work out which transition is possible (Figure 1.2).

Handy states that every organization has certain values and follows some policies and guidelines, which differentiate it from others. The principles and beliefs of any organization form its culture. The organization culture decides the way employees interact amongst themselves as well as external parties. In the power culture only a few people are authorized to take decisions. These individuals further delegate responsibilities to the other employees. In this kind of culture the employees do have limited liberty to express their views or share their ideas and have to follow what their superior says. In a task culture, teams are formed to achieve the targets or solve critical problems. In such organizations individuals with common interests and specializations come together and contribute equally and accomplish tasks in the most innovative way. In a person culture, individuals are more concerned about their own roles and ambitions rather than the organization. Employees are interested in each other and develop professional friendships to achieve personal goals. Role culture is a culture where every employee is delegated roles and responsibilities according to his specialization, educational qualification and interest to extract the best out of him. In such a culture employees decide what best they can do and willingly accept challenges.

A breakthrough in thinking about organizational culture came in 1982 with the book *In Search of Excellence* by Peters and Waterman.¹⁰ In a period of economic downturn in which some companies came off badly while others survived, their book was a real eye-opener. Peters and Waterman saw culture as a separate part of the organization. It is the managers' task to

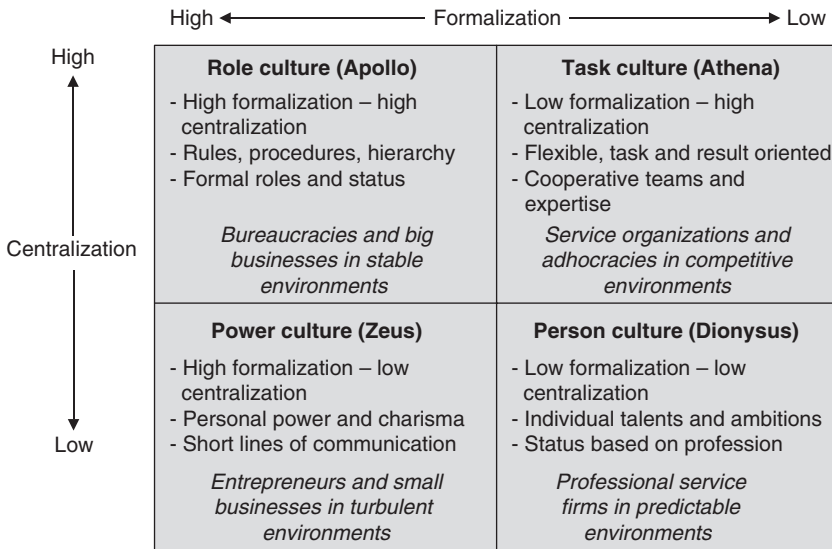


Figure 1.2 Four culture profiles for organizational culture. (Source: Based on Harrison⁸ and Handy⁹.)

shape the culture and bend it in the right direction. They ascribe the success of businesses to eight success factors:

- Listening to the wishes of the customer and tailored marketing
- Orientation towards action and focus on executing plans
- Entrepreneurship in the entire organization by delegating responsibilities
- Strengthening people’s productivity through financial and symbolic rewards
- Every man to his trade and building further on one’s own competencies
- Simple structure with maximum autonomy for employees
- Room for initiative inside values and norms that are kept firmly in hand
- Fundamental values that are disseminated by management.

A specific line of approach to culture involves the differences between company cultures in different countries. Geert Hofstede became known for his research into national differences in organizational culture. Hofstede¹¹ distinguished between five dimensions in which the culture of organizations can differ internationally. He showed that national and regional cultures influence the behaviour of people in organizations. This behaviour and the

Table 1.1 Dimensions of national cultures.

Power distance	The extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally. Cultures that endorse low-power distance expect and accept power relations that are more consultative or democratic. People relate to one another more as equals regardless of formal positions. In high-power distance countries, less powerful accept power relations that are more autocratic and paternalistic. Subordinates acknowledge the power of others simply based on where they are situated in certain formal, hierarchical positions
Uncertainty	The extent to which members of a society attempt to cope with anxiety by minimizing uncertainty. People in cultures with high uncertainty avoidance tend to minimize the occurrence of unknown circumstances and proceed step by step by planning and by implementing sociology, laws and regulations. In contrast, low uncertainty avoidance cultures feel comfortable in unstructured situations or changeable environments and try to have as few rules as possible. People in these cultures tend to be more pragmatic; they are more tolerant of change
Individualism–collectivism	The degree to which individuals are integrated into groups. In individualistic societies, the focus is on personal achievements and individual rights. People are expected to stand up for themselves and their immediate family. In contrast, in collectivist societies, individuals act predominantly as members of a life-long and cohesive group or organization. People have large extended families, which are used as a protection in exchange for unquestioning loyalty
Masculinity–femininity	The distribution of emotional roles between the genders. Masculine cultures' values are competitiveness, assertiveness, materialism, ambition and power, whereas feminine cultures place more value on relationships and quality of life. In masculine cultures, the differences between gender roles are more dramatic and less fluid than in feminine cultures where men and women have the same values emphasizing modesty and caring

Table 1.1 (cont'd)

Long-term–short-term orientation	The time horizon of a community. Long-term-oriented societies attach more importance to the future. They foster pragmatic values oriented towards rewards, including persistence, saving and capacity for adaptation. In short-term-oriented societies, values promoted are related to the past and the present, including steadiness, respect for tradition, preservation of one’s face, reciprocation and fulfilling social obligations
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Source: Based on Hofstede^{11,12}.

daily practices form the ways that people deal with each other within organizations. His observations are useful for international collaboration and mergers between companies from different countries (Table 1.1).

There is more hierarchy in France and India than in Hong Kong and Denmark. The United States and England are more oriented towards the individual than Spain and the Netherlands, where a collectivistic culture dominates. The northern European countries emerge as relatively feminine. Anglo-Saxon companies have a short-term orientation while businesses in Asian countries, like China, have a long-term orientation.

After the 1980s, things got quiet again around organizational culture. The promises of cultural change were not fulfilled and businesses turned their attention more to flexibilization, redesigning business processes, mergers and takeovers, innovation and the use of new information technology. For a few years now, businesses have been showing new interest in cultural change. Businesses know how to map out culture, and from their own experience they know that simple recipes and large-scale programmes for cultural change do not work. The question at the top of the list now is how leaders manage to get change going in which their business retains its identity and in which they stimulate renewal at the same time?

In the continuation of this chapter, I will describe culture firstly as the identity of the organization. I see culture in the second place as the development of entrenched patterns and “the way things get done around here”. Thirdly, I will discuss culture as conflicting values that can be a source of renewal. Then I consider the organizational culture as value creation for customers. Finally, I describe the organizational culture as the business idea of the organization. The five views about organizational culture do not exclude each other but

rather complement each other. Changing an organizational culture affects the identity of the organization, interferes with entrenched patterns, reveals conflicts, aims at realizing customer value and contributes to the business idea. I can already reveal one conclusion from my research on cultural change in organizations: not a single leader in the companies talks about cultural change explicitly. Nevertheless, they do have success with cultural change, perhaps precisely because they do not talk about it but act accordingly.

Culture as the Identity of the Organization

KLM is the oldest airline company in the world and still operates under its original name, Koninklijke luchtvaartmaatschappij (Royal airline company). Since its founding, KLM has always been able to respond to market opportunities and technological innovation. KLM was the first airline to enter into international alliances and leads the way in the pursuit of sustainability. From time immemorial, entrepreneurship has been an important part of the company's identity. Alongside entrepreneurship, other cultural characteristics are reliable, sustainable and solution-oriented from a practical Dutch mentality. KLM has a strong identity that is linked to its history, the branch of industry and its role as national airline company. The strong bond many employees have with the company is sometimes called "the blue feeling". The characteristic blue colour of the KLM brand is associated with a combination of Dutch familiarity and international allure. "When you see the KLM blue, wherever you are in the world, you're home. The airline stands for a continuation abroad. That national pride still plays a part within KLM. The emotional side is really quite strong. That is really the Airline, everything about it, the history we still firmly rely on."

Culture as an identity and personality points to deeply rooted characteristics of an organization. It also tells something about the strength of an organization and its peculiarities. In this concept, an organizational culture consists of stable fundamental assumptions about human cooperation, mutual relations and the relationship between organization and surroundings. It concerns opinions about what does and does not work, what the surroundings look like and how a business deals with that.

Schein sees the organizational culture as a social process in which people construct meanings together. Schein defines an organizational culture as:

A pattern of shared basic assumptions that was learned by a group 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 to perceive, think, and feel in relation to those problems.

In popular terms, culture is the way people do things and get on with each other. They form, share and carry the organizational culture. The culture is picked up in the day-to-day practice and is not immediately evident nor can it be influenced directly. The culture is enduring, stable and difficult to influence.

The identity of an organization has several levels. The most firmly rooted are the basic assumptions. These basic assumptions form the foundation for values and norms about what is right and what is not right. The values and norms are nourished by stories and myths and the way people work together and develop knowledge. Many businesses formulate core values that guide behaviour. The most visible level of the identity is formed by the symbols and artefacts. This concerns use of language, company style, clothing style and the style of management (Figure 1.3).

When you want to change behaviour, you are tampering with the underlying convictions and the values and norms that give people something to hold on to. Managers who have set themselves the objective of changing behaviour often discover that culture is deeply rooted and that the existing culture is therefore persistent. Cultural programmes seldom have any success if they concentrate exclusively on behavioural change. None of the businesses that were studied chose to implement programmed cultural changes that concentrated solely on behavioural change of employees. These kinds of processes are doomed to failure. From this layered perspective of organizational culture, it is logical that it is difficult to change a culture. In order to adapt or modify an organizational culture, what you need is to know and recognize the underlying basic assumptions. Leaders in cultural change endeavour to discover the basic assumptions and choose to appreciate them. They thus lay a basis for making core values explicit.

Organizations that are successful in working on cultural change know their identity. Leaders in cultural change steer by values that are appropriate

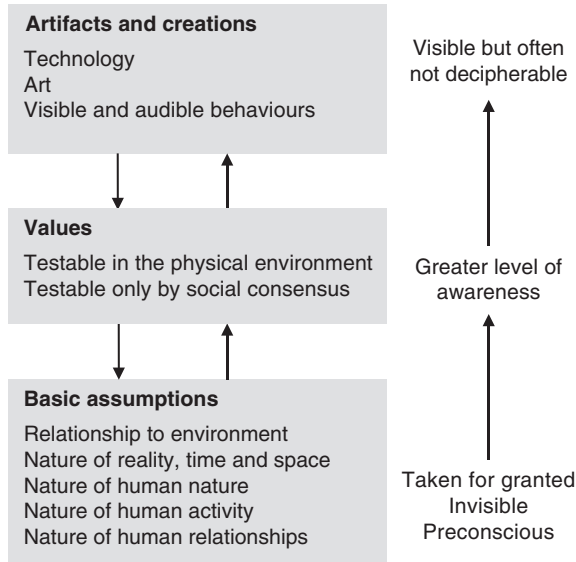


Figure 1.3 Levels of culture and their interaction. (Source: Adapted from Schein,¹³ p. 14.)

to this identity in combination with the meaning they want to have for customers. The formulated values are attractive to employees and customers. The leaders in the organization make it possible to discuss the values on all levels in their organization and they themselves live in accordance with the formulated values. Sometimes new values are formulated to break with the past and provide guidance for new behaviour. If people cannot identify with these new values, they leave. New people who are attracted by the new values provide invigoration and movement. It is essential in all cases that management and managers live according to the new values and display exemplary behaviour.

Edgar Schein was one of the first people who explained the role of leadership in relation to organizational culture. Leaders play a part in forming an organizational culture because they articulate beliefs and values. The leader assembles a small group of people who share his beliefs and values. Together they formulate a vision of the future and take risks to realize their vision. Through this combined action they form beliefs. The culture gains shape more and more because the group learns from its positive and negative experiences. On the basis of these experiences they further sharpen beliefs and values, until more people experience them almost subconsciously

Table 1.2 Methods of maintaining a culture (based on Schein¹³).

<i>Primary mechanisms for embedding culture</i>	<i>Secondary mechanisms for reinforcing culture</i>
What things are paid attention by leaders. What they monitor, measure, control, praise and criticize	Design of organizational structures, hierarchy and the formal relationships reflecting organizational values
Ways in which leaders react to crisis. The reactions send strong messages about values and assumptions	Design of systems and procedures like budgets, planning sessions, performance reviews and development programmes
Role modelling and communicating values and expectations by leaders through their own actions	Design of facilities, office layout and dining facilities, which are consistent with the espoused values
Allocation of rewards and the criteria for rewards, status, recognition in ceremonies and informal praise	Exchanging stories, legends and myths about important events and people in the organization to transmit values
Articulation of criteria for recruiting, selecting, promoting and dismissing people	Public and formal statements of values by leaders and written value statements, charters and philosophies

as self-evident. Leaders can maintain the organizational culture through direct and indirect mechanisms (Table 1.2).

According to Schein, it is very difficult to change an organizational culture fundamentally. It is also debatable whether a leader should want to do that. Changing entrenched patterns and deep beliefs needs a crisis or the willingness of leaders in the organization to open everything up to discussion. With a crisis that threatens the continued existence of the organization, there needs to be acknowledgement of the fact that the problems cannot be solved with existing knowledge, experiences and qualities. Usually it requires a change of management. In-depth change of the identity and the meaning of the organization requires leaders to have the courage to dig deeply in the subconscious of the organization, discover new principles and share new insights with the people in the organization. This involves designing the business idea all over again. Just changing visible values and behaviour is not sufficient, because they do not tackle the deeper basic assumptions. Most cultural programmes that target behavioural change are therefore ineffective. In-depth change involves redefining the meaning of the organization and a change of vision, strategy, structure, work processes, systems and culture.

Culture as a Source of Conflict and Renewal

Dutch Railways (NS) is one of the best railway companies in the world. It provides 5000 train trips every day to more than one million travelers over an enormously complex and far-flung railway network. The privatization of public companies meant that Dutch Railways had to deal with becoming independent and providing passenger transport in a competitive situation. This external change put the traditional company culture under pressure. In the old culture, logistics and technology were the main things. Logistics and technology require predictability and reliability. The new culture revolves around providing a service. Service requires customer orientation, flexibility and improvisation. These two approaches are at odds with each other. Management made a considerable effort to change the company's organization and culture. Two change programmes were started with the names "Destination Customer" and "Destination Customer in Company." The aim of these programmes was to organize the operational work differently, simplify the work schedules and reduce the distance between managers and employees. The change programmes resulted in fierce conflicts in the organization. The personnel on the trains in particular felt their skill and autonomy were being harmed and not taken very seriously due to the top-down control of the changes. The conflict led to a great uproar, resulting in the management board and the Board of Supervisory Directors having to step down. A new management took initiatives to improve the relations and to work on renewal. The new board is committed to preventing conflicts with the unions and the employees. Building up trust is the major issue. More attention is paid to respect and cooperation between managers and employees. And skill is also appreciated again. The board chairman put it this way: "Assuming a style of leadership that has you swearing at the hordes to bustle them along won't work. They tried it in the past. That doesn't work."

It is an illusion that all the people in the organization always share a common culture and that there is consensus about the cultural values or norms that guide behaviour. Cultural differences between departments and professions

simply exist in organizations. There are differences in the cultural backgrounds of the employees. Groups in organizations also compete among each other about the external and the internal meaning of the organization.

Culture can therefore be considered as conflicting values that call up tensions. Within organizations, some groups pay more attention to control and monitoring while others concentrate more on cooperation and stimulation. At Dutch Railways, a conflict of values arose between the technology-driven culture and a social-relational culture in which people worked together with the customer in mind. A conflict of values also arose because the former board, under political pressure, mainly worked on setting the course and performance, and this aroused tensions in the cooperation between the board, managers and the personnel on the trains. Within organizations, tensions can also often be recognized between the controlled striving for continuity and renewal. The art of management is to acknowledge conflicts of value and to deal with the tensions that they cause. Cameron and Quinn¹⁴ presented conflicting values in Figure 1.4.

Leaders and managers often strive towards an organization-wide consensus in organizational culture. Consensus arises if the work practices correspond with the values and the basic assumptions and if the symbols, stories and rituals are consistent with those values and basic assumptions. From the perspective of consensus, the organization is often regarded as one whole. Everyone should have the same opinion. There is little or no room at all for differing opinions. Joanne Martin¹⁶ sets a differentiation perspective and a fragmentation perspective against this consensus or integration perspective. In the differentiation perspective, attention is paid to inconsistencies and tensions between sub-cultures in departments or professional groups. These sub-cultures are islands of consensus, and the rest of the organization is a sea of ambiguity. The fragmentation perspective examines complexity. There is, in fact, no consensus anywhere. The organization is a web of individuals with their own points of view, who keep on occupying different roles and entering into relationships. In this view, change is permanent, goes from step to step and is different at every spot. The differentiation and fragmentation perspective examines relationships that people and sub-groups in the organization maintain with each other, paying more attention to the versatility of sub-cultures and to conflicts between groups. In doing that,

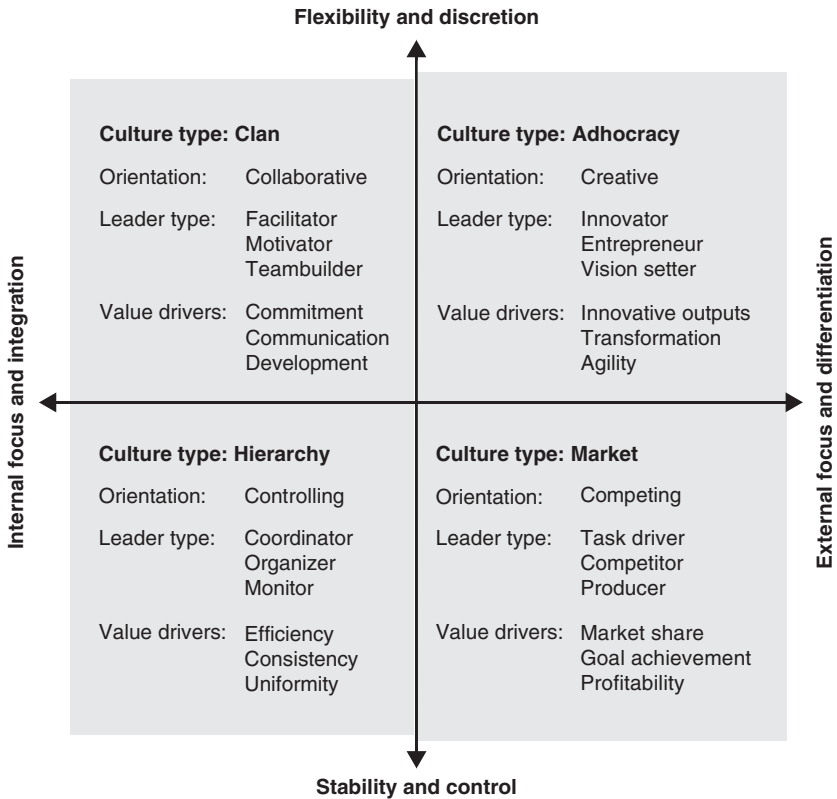


Figure 1.4 Culture perceived as a competing value framework. (Source: Based on Cameron and Quinn¹⁵.)

it creates more space for differing opinions about reality. Differences are allowed to exist, and it becomes possible to discuss inconsistencies. Making diversity visible and making conflicts and underlying fears discussable can be a source for renewal.

Leaders in cultural change are prepared to make inconsistencies discussable. They go and put themselves in the conflict and make it possible to discuss rivalry between groups and undesired behaviour. They also make it very clear what they definitely do not want. By expressing values and standards of behaviour, they create space for people in the organization to come up with their own interpretation of their behaviour, allowing difference to continue to exist.

Culture as a Learning Process

Arcadis is an international engineering firm of worldwide renown in the field of building, environment and space, mobility and water. The business operates in more than 70 countries. The strength of Arcadis is that it knows how to link local knowledge with transnational expertise. Arcadis serves national customers looking for infrastructural solutions from local branches, which are embedded in inter-organizational local networks. International customers are delivered customized work from a number of branches that collaborate with each other on innovative solutions. Arcadis already attempted to gain a foothold abroad in the 1950s. This was unsuccessful because the company did not take the local culture sufficiently into consideration. Arcadis was in danger of coming to grief due to the rash diversification and international expansion. Only a survival plan could save the business. The business has learned from its mistakes. “You only gain success if you have had failures. Success without failures isn’t really possible. You have to learn and you learn the most from your mistakes. We said to each other: you have to be there locally to build up the relational network with your customers. You have to construct local networks with local people who know the market and therefore you have to take over local businesses. We also have to take over businesses that have good management; if you don’t have a well managed business with a strong market position, you won’t make it either. The organization only remains manageable through gradual takeovers.” These lessons form the basic principles that are central to the growth towards an international group:

- Service provision is local and is dictated by the relationship you have with customers.
- Gradually take over businesses that have a firm market position and good management.
- Ensure that there is a structure in which acquired businesses can retain their value.
- Concentrate on your core activities and cut anything that does not belong to your core activities.
- Make sure that your financial housekeeping and reporting are in order.

These basic principles contribute to well-considered international expansion. The business has a strong home position in Europe, the United States and South America. Standing at third position in Europe and seventh worldwide, the business is part of the world top.

Culture is formed when people in an organization recognize problems in its method of functioning or as part of a self-examination that is related to a merger, a takeover, a joint venture or a partnership. Existing views come under pressure in this learning process, and new beliefs and behavioural patterns emerge. In this perspective, the organizational culture stems from methods of surviving in the creation period of organizations and coping in difficult times. The behavioural patterns are meaningful because they came about in difficult and unclear periods during which the survival of the organization was at stake. This view of culture goes further than the vision of culture as the identity of an organization. Discernible actions by people have to do with it, as do language, rituals and habits. The norms and expectations that people have of each other with respect to behaviour also play a part. And values are also important, because values serve as a guide for the behaviour of people. According to Schein these are, however, indications of the culture that do not affect the essence. In his view, it is about the basic assumptions and primary convictions of the organization about itself and its surroundings. The culture of an organization evolves with new experiences. Culture is the solidification of learning processes and can also be changed by new experiences.

Culture comes about in the interaction between organization and surroundings and in the efforts an organization makes to continue to exist. In order to change an organizational culture, it is necessary to have a good look at the history of the company and spend some energy on identifying the basic assumptions. These basic assumptions become evident during unexpected events or when an organization ends up in an existential crisis. Once the basic assumptions have been revealed, management can decide to follow a different course. Creating new assumptions, values and behaviour is a communal learning process and can be a source of renewal.

How do basic assumptions arise and can they be changed? Weick's¹⁷ insights can provide an answer to this. According to Weick, there is interaction between events and the basic assumptions. The basic assumptions

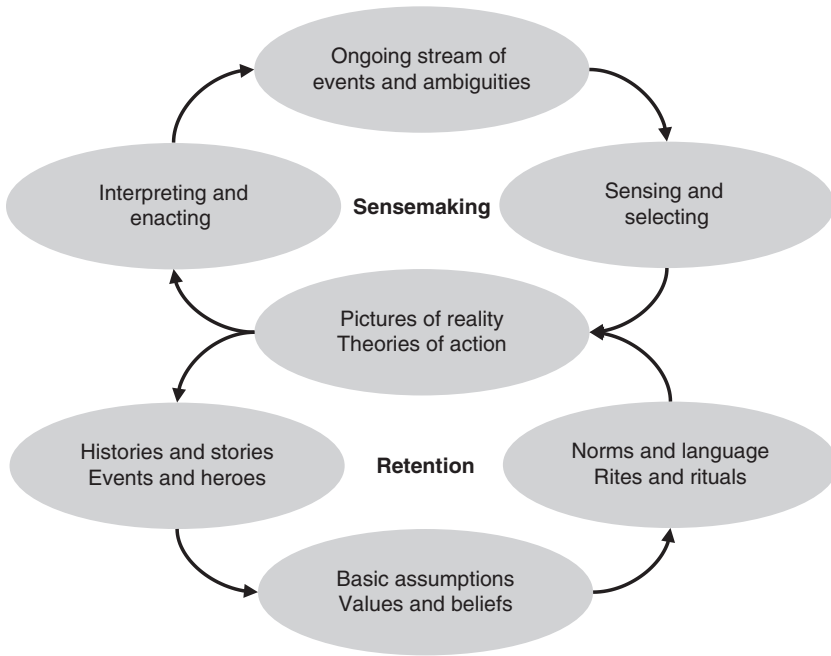


Figure 1.5 Organizational culture as a process of sense-making and enactment. (Source: Based on Weick.¹⁷)

arise from events in the past and shape our view of events in the present day. This way of looking at things is nurtured by history, stories and earlier events and maintained by shared values and expectations of people about how they should behave. Figure 1.5 illustrates this.

There is a continual flow of events. People select the events that they think are important; in crisis situations it is impossible to avoid paying attention to this. They interpret the situation and together give it meaning. The meaning they give the situation and their decision to act are prompted by the views they share about reality. Through their acting, they add something to the flow of events. From the history and through stories about events, basic assumptions come about that people are scarcely aware of and that are stored as reality. These basic assumptions translate into values and norms and daily language. These values and norms nourish pictures of reality that are used to interpret and tackle new events.

Leaders in cultural change search for possibilities of breaking through entrenched patterns. That requires knowledge of the basic assumptions that

unite the people. Only if they know the basic assumptions can they create space for new practices, and in those new practices new pictures of reality arise. Stories about the meaning of service add something to the daily language and make way for new meanings to arise. In the daily routine the patterns of cooperation change and people begin to act collectively. Through their acting, they add something to the flow of events.

Culture and Customer Value Creation

Amazon.com¹⁸ is the world's largest online retailer. The organization was founded in 1994 by Jeff Bezos and went online in 1995. Amazon.com started as an online bookstore but soon diversified, selling DVDs, CDs, MP3 downloads, computer software, video games, apparel, furniture, food and toys. The crucial mission of the business: provide customers with what they want. Jeff Bezos is very aware of the importance of the experience of the customer shopping online. Customers have more power online, and the power shifts away from the business to the customer. Word of mouth is very powerful online, and this makes customers their own ombudsman. For online businesses this means that they have to spend most of their time, energy and effort creating a great customer experience. Customers have more and better information about online shopping. There is price transparency and also service transparency. This means that online businesses need to understand how to create real value for the customer by using unique features of the Internet. At Amazon.com customers have infinite shelf space and five million titles to search through and browse. Amazon.com offers its customers a competitive price and home delivery, but more important is ease of use and convenience. Its service is based on one-click shopping. After the first time customers shop with Amazon.com, the second time around is just a single click of a single button, and the item is on its way to you. Another value is the possibility to make the correct purchase decision by letting customers review books and other articles. For Amazon.com, customer experience means getting things right all the time: the way the web site works, answering email immediately, answering the phone when people call, sending the right products on time, arrival in undamaged condition and easy hassle-free returns when people have

a problem with one of the products. This overall customer experience is connected to culture and leadership. At Amazon it is very clear what the customer value is and what it means for the employees working at Amazon: contributing to customer enjoyment using validated data about customers' behaviour and identifying customers' experiences and needs.

Culture is not separate from the needs of customers and the demands from the surroundings. Nor is culture separate from the mission, the strategy, the structure, the work processes and the systems. Cultural change is not a goal in itself. In businesses that achieve successful cultural change, cultural change is linked to customer value and external meaning. From this perspective, it is understandable that none of the businesses talks about cultural change. It is much more about renewing the provision of service and value creation for customers. Customer value has become one of the most widely used terms in business markets in recent years. The customer value is the relativistic preference, specific values and experience of a customer. The customer value comes about in the daily interactions between customers and the employees of the business.¹⁹ According to Hardy²⁰ customer value proposition articulates the value that a firm promises its customers through its products and services and the belief of the customer of the value that will be experienced. A value proposition can apply to an entire organization, or parts of it, or customer accounts, or products or services. Value propositions are constantly evolving. Usually, suppliers provide a customer value proposition by making their products and services superior in the few elements that matter most to target customers, demonstrating and documenting the values of this superior performance and communicating in a way that conveys a sophisticated understanding of the customers' values and preferences.²¹

Customer value creation is linked with cultural change in organizations by articulating customer needs and customer value propositions. Four activities may be distinguished in this process.²² The first step is to build common ground and reach consensus and understanding with managers and employees about the meaning of the value proposition in their daily interactions with customers, what their contribution might be and how they are able to realize the value proposition. The second step is to communicate the proposition and mobilize the talent and knowledge of managers and employees by helping them translate the proposition to learning-and-growth objectives in their daily work and customer interactions. A customer value

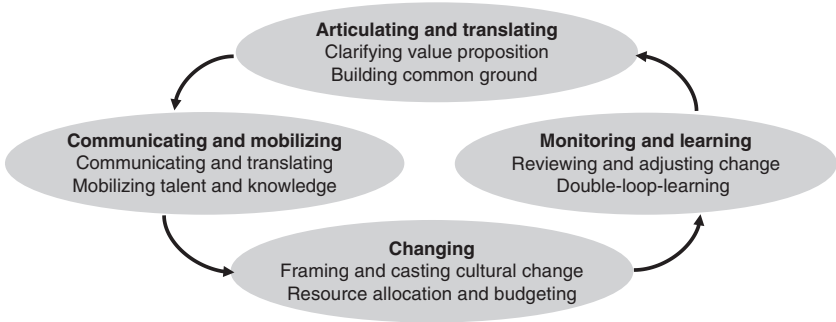


Figure 1.6 Articulating and translating customer value proposition. (Source: Inspired by Kaplan and Norton.²²)

proposition needs to be clear, concise and compelling. Broad participation in elaborating customer values helps people to gain a better understanding of the company's value proposition, and such broad participation builds a stronger commitment in achieving customer values. Communicating and educating are essential in the translation of the customer value proposition to behaviour. The proposition must translate into strategic objectives and measures for operating units and individuals. The third step refers to cultural change and strategic success. Articulating and translating the value proposition and then identifying critical drivers for change creates a framework for cultural change. Resource allocation helps to ensure that budgets support the value proposition and influence managers to concentrate on change processes that are most critical to the organization's strategic success. The fourth step is about monitoring and learning. Monitoring means collecting validated data and reviewing the translation of value propositions into cultural changes in organizations. In learning processes the validity of the value proposition is evaluated and the quality of its execution is reflected and adjusted when needed. In this learning process, managers and employees should take disconfirming evidence seriously and reconsider their shared conclusions about value propositions, cultural changes and leadership behaviour (Figure 1.6).

The first three steps are vital for cultural change based on customer value propositions, but they are not sufficient in an unpredictable world. Together they form an important single-loop-learning process, but this single-loop-learning does not facilitate reconsidering and adjusting the value proposition. In turbulent environments companies must become capable of double-loop-learning.²³ This double-loop-learning produces a change in people's assumptions and theories about cause-and-effect relationships and affects the basic assumptions, which build the organizational culture.

Culture and Business Idea

The Rabobank is an international bank operating in 50 countries. As one of the few banks in the world, the bank has a triple A rating. The Rabobank wants its customer comfort to make the bank distinctive and invests in innovating its service. This leads to a far-reaching change process. After renewal of systems and a new service concept, customers can choose the channel they want for access to the bank, regardless of the time of day or the location of the customer. Many customers use the Internet. For more complicated products, they go to a bank office, or a bank employee visits the customer at home or at work. The contact history with the customer is recorded thoroughly, which means bank employees can continue the dialogue with the customer at any moment. Instead of the bank product, it is the customer experience that has the focus of how management and employees of local banks think and act. The motto is “The bank is there for the customer.” The bank has retained its strength and identity in this change. It knows its history and knows what it stands for: “The Rabobank was established in the Netherlands by enterprising people who had almost no access to the capital market. It has a tradition in small and medium-sized business and especially in the agricultural sector. By working on a cooperative basis, a financial institution has arisen that enables customers to give substance to their financial ambitions. This forms the precept of the Rabobank: It wants to enable people and enterprises to take part independently and fully in economic transactions. The Rabobank puts the common interest of people and communities first and foremost. Realizing the current and future ambitions of people and communities is the goal here. Strengthening mutual cooperation and proposing the best possible financial solutions are the means for that.”

Formulating a vision that an organization upholds and goes for is one way of working on continuity and renewal at the same time. Visionary enterprises are successful because they are able to create a balance between preserving the core and stimulating renewal.²⁴ There are two key elements to a vision: a clear identity and an image of the future. The identity is relatively stable, while the business strategy develops continuously subject to the changes in the wishes of customers and the demands from the environment. In the

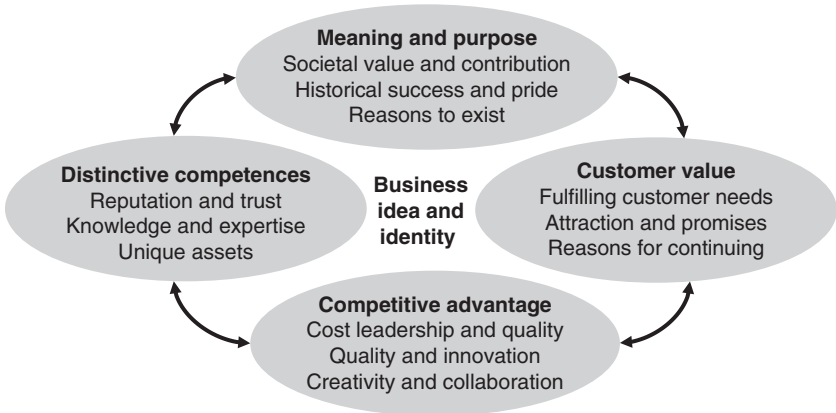


Figure 1.7 Business idea as a medium for cultural change. (Source: Based on Van der Heijden.²⁵)

future perspective of Pine and Gilmore²⁵ the competitive strength of businesses in the twenty-first century will depend mainly on the service level and the attention to experience and using creativity and the ability to make innovations possible in collaboration with other businesses. Businesses, social organizations and authorities have to deal with increasing demands from the environment and the pressure to perform and to innovate.²⁶ This quickly raises the question of how a company can preserve its core, be able to distinguish itself and stimulate renewal.

In this value-driven perspective of organizational culture and cultural change, the earlier notions about culture and change converge. It concerns the identity of an organization, the values and competencies, the market position, the customer value and the social meaning. In that connection, Van der Heijden²⁷ talks about articulating the business idea. In effect, it concerns formulating the business idea of an organization. The business idea involves four connected points of view that together give shape to the creation of value for customers. Figure 1.7 presents a diagram of the business idea of an organization.

Working on the business idea is about how organizations in change can retain their individual character, put their core qualities into action to realize renewal and make themselves stand out by creating value for their customers. The organizational culture as a specific excuse for change disappears to the background. The key question is how a business wants to position itself and distinguish itself by creating value for customers. If the

business tackles this, it involves a change that affects the identity and the meaning of the organization and in which a renewal of strategy, structure, systems and work processes goes hand in hand with a change of cultural values. In that case it involves a change in which an organization preserves its identity and stimulates and shapes renewals.

Companies that are successful in strategic and cultural renewal are clear about what they stand by and what they are going for. Not a crisis, but a clear business idea lies at the basis of the success of the cultural change in all the organizations investigated. It is therefore an essential condition of cultural change in businesses. At least equally essential is a good customer definition and a clear picture of the customer value that the business wants to deliver. It is clear to all the businesses who their customers are, what the needs of these customers are and how they can be satisfied.

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