

Essay on organisational culture

[Business](#), [Organization](#)



Organisational culture reflects the perception that people are the most important element in organisations (Brown, 1994). The realisation that social factors need to be taken into account to understand organisational performance has led to the current foundations of organisational culture. Essentially, organisational culture is a "reformulation of existing models and theories to satisfy changing views of how organisations work" (Brown, 1994, p. 6) thus meaning that the nature of it will vary from firm to firm and so will its relative importance. By comparing two completely different yet successful firms' organisational cultures, it can be seen that the distribution of knowledge in the market and the varying abilities to exploit knowledge relates to the significance of culture in that firm.

Nature of organisational culture Organisational culture has been defined by Schein (1984, p. 3), as "a pattern of basic assumptions... that have worked well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive, think and feel." Defining culture tends to be difficult as it is not a tangible or measurable part of an organisation, but an experience that is shared between individuals. Hatch (1997) stressed the need to personally experience the socially constructed context of a firm, as analysis of life within a company is considerably subjective.

Schein described two very different organisational cultures with varying assumptions (reproduced in Handy, 1985, p. 187). Both the Bank of England and Google are large organisations, with different goals, cultures and market environments. The values, assumptions and beliefs of the entrepreneur are very often transmitted to the organisational members and become

characteristics of group culture. The entrepreneur, who values creativity and change, and believes in innovation as an appropriate response to dynamic external conditions, can transmit these values and beliefs to organisational members. This is evident in the cultural base of Google as it is an incumbent firm in a rapidly changing market where innovation is the key to staying ahead of the competition.

With Google, ideas ultimately come from individual and they are left to govern their own working timetable. Creativity is encouraged by providing comfortable working atmospheres rather than forcing an individual to work typical office hours. Hatch (1997) describes the importance of the physical structure of the organisation in motivating individuals to achieve the firm's goals. Physical artefacts which are often visible but not decipherable, make up the initial layer of Schein's three-level model of culture and their interactions (1984, Figure 1, p. 4). Google's corporate information highlights the "hands-on" contribution that employees make in the innovation process, how employees are chosen on merit rather than experience as well as maintaining that everyone is an "equally important part of Google's success" (About Google).

In contrast to Google's organisational culture, the Bank of England takes a largely different stance on creativity and personal thought. Unlike the mix of task and personal culture present in Google, the Bank of England insists on a bureaucratic role culture. Having worked at the Bank's headquarters in the summer of 2008, emphasis was immediately placed on a formal structure similar to that detailed by Handy and Max Weber's ideal form of bureaucracy

(1985, p. 190 and box 7. 2). A clearly defined hierarchy can be found on the Bank's internal website illustrating where every sub-department stood in the firm's structure.

Hatch (1997) noted that culture in organisations can be considered in three productive ways: the organisation is a culture, the organisation has cultures within it, and the organisation is affected by outside cultures. From this viewpoint, the Bank is noticeably influenced by external cultures as the day-to-day work is governed by global market changes. The Bank was visibly split into subcategories with little interaction between them. These categories were defined by the nature of the work and all divisions reported back to the central economists in the Bank, yet never interacted between themselves.

According to Nonaka and Takeuchi (1995), Western managers have over-relied on complex structures, elaborate systems and formalistic planning mechanisms, with disastrous results. The current interest in organisational culture therefore stems from the fact that it offers a non-mechanistic, flexible and imaginative approach to understanding how organisations work. Although the Bank has a largely different organisational culture to Google, both forms of culture have had a significant effect on the standing of both organisations today, which is due to the relative markets in which they are in and the distribution of knowledge and power between the employer and employee.

Importance of organisational culture Before entering the workforce, individuals were influenced by family, community and nation, religious and educational cultures which helped shape their attitudes, behaviour and

identity (Hatch, 1997, p. 200). Employees bring these qualities into a firm with them so it is hard to differentiate between the larger societal culture and organisational culture. Nevertheless, for Google, industry knowledge leads to a competitive advantage (Teece, 2000, p. 4) implying that finding a suitable culture, in which the individual can work creatively, is extremely important.

Using Teece's analysis, Google have provided the physical, social and resource allocation structure so that knowledge can be moulded into competencies unique to Google. Whereas the immediate success is dependent on the knowledge of the individual, Google has maintained its position at the top of the internet search engines market as well as diversifying into advertising, email and terrain maps, by maintaining its "difficult to replicate knowledge assets" (Teece, 2000, p. 12) to a high standard.

In contrast to Google, even though the Bank needs to attract knowledge and expertise from individuals, its prestige and lack of domestic competition means that it doesn't have to focus on retaining employees as much as Google does. The Bank may have different rites and ceremonies which have become traditional in the Bank, yet it can also gain from the nonmarket benefits by sharing attitudes and artefacts similar to Google, such as open plan offices, distinctive corporate architecture and motivational speeches. Davenport and Prusak (1998) identified high worker morale, stronger meritocracy of ideas and a richer knowledge stock as benefits accrued from

distinct organisational culture, which also added to the success of the organisation.

Whereas Google is primarily based in the USA, the need for innovation in the internet market has forced Google to adopt a personal culture to help achieve its goals; the Bank of the other hand has a historical culture embedded into the business structure. Geert Hofstede's study of the influence of national cultures adds to Hatch's concept of having a larger societal culture that affects individual organisations. There is a marked power distance between divisions in the Bank with only a small degree of individualism, yet towards the top of the hierarchy, there is an increasing sense of individualism. Uncertainty in the bank cannot be avoided purely because markets are currently very volatile meaning that surprise movements in stock markets leads to new projects being set up and administered within days.

Conclusions

Organisational culture, if well established and properly adhered to, is similar to a core competency of the firm. Knowledge, competence and individual expertise have emerged as the key drivers of competitive advantage in corporations. If organisations are able adapt and change with different markets, countries and situations then they can sustain a competitive advantage over other incumbent firms as culture is almost impossible to replicate. The nature and substance of organisational culture varies from firm to firm as it is impractical to try and fit every organisation into a

subcategory of culture, but that does not detract from signifying the importance of people and culture in the success of organisations.