

Organizational Culture & Leadership

By
Edgar H Schein

*"Some are born great,
some achieve greatness,
and some have greatness thrust upon 'em"*
Shakespeare, Twelfth Night

notes compiled by Ted Nellen

- Culture a phenomenon that surrounds us all.
- Culture helps us understand how it is created, embedded, developed, manipulated, managed, and changed.
- Culture defines leadership.
- Understand the culture to understand the organization.

Defining Organizational Culture

- culture is customs and rights.
- good managers must work from a more anthropological model.
- Each org has its own way and an outsider brings his/her baggage as observer.
- Understand new environment and culture before change or observation can be made.

1. Observe behavior: language, customs, traditions
2. Groups norms: standards and values
3. Espoused values: published, publicly announced values.
4. Formal Philosophy: mission
5. Rules of the Game: rules to all in org
6. Climate: climate of group in interaction
7. Embedded skills:
8. Habits of thinking, acting, paradigms: Shared knowledge for socialization.
9. Shared meanings of the group
10. Metaphors or symbols:

- Culture: norms, values, behavior patterns, rituals, traditions.
- Culture implies *structural stability* and *Patterning and integration*.
- Culture is the accumulated shared learning from shared history.
- 2 problems all groups must deal with:

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1. survival, growth, and adaptation in environment
2. internal integration that permits functioning and adapting.

Culture Formally Defined

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

- The problem of socialization: teaching newcomers
- The problem of behavior:
- Can a large org have one culture? subcultures.

Summary

- culture explains incomprehensible, irrational
- org with history has culture.
- Not every group develops a culture.
- Once culture exists it determines criteria of leadership.
- Leaders should be conscious of culture otherwise it will manage them.

Levels of Culture

Artifacts

- on surface
 - sees
 - hears
 - feels
- visible products
 - Language
 - technology
 - products
 - creations
 - style: clothing, manners of address, myths, stories
- easy to observe
- difficult to decipher
- symbols are ambiguous
- Problems in classification

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Espoused Values

- all group learning reflects original values
- those who prevail influence group: the leaders
- first begins as shared value then becomes shared assumption
- social validation happens with shared learning.
- initially started by founder, leader and then assimilated.

Basic Assumptions

- evolve as solution to problem is repeated over and over again.
- hypothesis becomes reality
- to learn something new requires resurrection, reexamination, frame breaking
- Culture defines us:
 - what we pay attention to
 - what things mean
 - react emotionally
 - what actions to take when
- humans need cognitive stability
 - defense mechanisms
- McGregor: if people are treated consistently in terms of certain basic assumptions, they come eventually to behave according to those assumptions in order to make their world stable and predictable.
- different cultures make different assumptions about others based on own values etc: see them with our eyes not theirs.
- third party may help solve differences between 2 cultures
- each new member comes with own assumptions.

Culture of 2 orgs

Case study of 2 distinct companies illustrating multilevel analysis of culture.

- One can best understand a system best by trying to change it.
- Key is he looked at these two with his eyes, his culture, not theirs.
- Lurk for awhile to understand culture.

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Dimensions of Culture

External Environments

- develop a model of how assumptions arise and persist
- identify issues groups faced from origin of group, if possible.
- group growth and culture formation are intertwined.
- essential elements:
 - mission and strategy
 - goals
 - Means of developing consensus, reaching goals
 - measurement
 - correction
- **Mission and strategy**
 - each new groups must develop shared concept to survive.
 - what is the function. Can be multifunctional.
 - if in debate mission is reached then culture has developed.
 - culture exists when members share identity and mission.
- **Goals**
 - to achieve consensus on goals group needs shared language and shared assumptions.
 - mission can be timeless, but goals must have end point
 - do not confuse assumptions of goals with assumptions of mission.
- **Means to Achieve Goals**
- need clear consensus on means to achieve goals.
- goals can be ambiguous, but not how to achieve them.
- Means:
 - design of tasks
 - division of labor
 - org structure
 - reward and incentive system
 - control system
 - info systems
- skills, technology, and knowledge acquired to cope become part of culture of org
- lack of consensus on who owns can cause difficulty
- be aware of feelings about territory, property, turf
- crowding is a problem
- Changing is difficult because of internal "property."

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- Consensus on means creates behavioral regularities
- Once regularities in place, stability and patterns are in place.
- **Measuring results**
- need consensus on how to evaluate self
 - from top
 - trust self
 - use outsider
 - trust hard data
- **Correction, Repair**
- consensus needed on how to affect change
- change may be for growth not just to solve a problem
- correctiveness can have great effect on culture, because it may question culture: mission.

Summary

- Culture is multidimensional, multifaceted.
- Culture reflects group's efforts to cope and learn.

Managing Internal Integration

External is important but so is internal relationships.

Major Internal Issues:

1. Common Language
2. Group boundaries for inclusion or exclusion
3. Distributing power and status
4. Developing norms of intimacy, friendship, and love
5. rewards and punishments
6. explaining the unexplainable: ideology and religion

- **Common Language**
- to function as group must have common language
- conflict arises when two parties assume about the other without communicating.
- often creators create common language
- common understanding begins with categories of action, gesture, and speech.
- **Groups Boundaries**
- consensus of who is in and who is out.
- leader usually sets this, but group tests it.
- Orgs can have three dimensions:
 - lateral movement: from one task to the next
 - vertical movement: from one rank to the next

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- inclusionary: from outsider to insider
- as org ages becomes more complex:
 - indiv may belong to many levels, depts., ...
- **Distribution of Power and Status**
- How will influence, power, and authority be allocated?
- all need to have some power or know limits
- who will grant power
- power can be earned
- or assigned
- **Developing Rules**
- how to deal with authority and with peer
- we use family model in new situations
- **Allocating Reward and Punishment**
- must have system of sanctions for obeying and disobeying rules.
- **Explaining the Unexplainable**
- facing issues not under control: weather, natural disaster
- Religion can provide this
- ideology too
- myths, stories, legends help

Summary

- Every group must learn to be a group.
- groups must reach consensus

Reality, Truth, Time, Space, Human Nature, Activity, Relationships

- develop shared assumptions about more abstract, general, deeper issues.
- The deeper issues:
 - nature of reality and truth
 - nature of time
 - nature of space
 - nature of human nature
 - nature of human activity
 - nature of human relationships
- **nature of reality and truth**
- what is real and how to determine reality
 - Levels of Reality
 - external reality* refers to that which is determined empirically, by objective tests, Western tradition. i.e. SAT

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social reality when groups reaches consensus on things.

individual reality is self learned knowledge, experience, but this truth may not be shared by others.

- High Context/Low Context

low = unidirectional culture, events have clear universal meanings

high = mutual casualty culture, events understood only in context, meanings can vary, categories can change

- Moralism-Pragmatism

pragmatist seeks validation in self

moralist seeks validation in a general philosophy, moral system, or tradition.

*Different bases for what is true: p 102

1. Pure dogma: based on tradition, it has always been this way.
2. Revealed dogma: wisdom based on trust in the authority of wise men, formal leaders, prophets, or kings.
3. Truth derived by a "rational-legal" process
4. Truth as that which survives conflict and debate
5. Truth as that which works: let's try it and test it
6. Truth as established by scientific method, borders on pure dogma

- What is Information?

*to test for reality a group must determine what is information.

*Information or data

- **nature of time**

*Time is a fundamental symbolic category that we use for talking about the orderliness of social life.

*Time: not enough, late, on-, too much at one, lost time never found again.

- Basic Time Orientation

*past, present, future [Gettysburg Address](#)

**Only present counts for immediacy

**Past exists to show past glories, successes

**Future always with vision, ideas

- Monochronic and Polychronic Time

**monochronic* one thing at a time

**polychronic* several things done simultaneously. Kill two birds with one stone.

- Planning Time and development Time

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- **planning* time is linear, fixed, monochronic, closure.
- **developmental* time is limitless, as long as needed. process world, open ended.
- Discretionary Time Horizons
 - *deals with size and units, classes=44 minutes, 34 large
 - *annually, quarterly, monthly, weekly, daily, hourly...
 - *length of time depended on work to be done. ie research people would not get closure.
 - *differ by function and occupation and by rank.
- Temporal Symmetry and Pacing
 - *subtle how activities are paced

- Time imposes social order
- pacing, rhythms of life, sequence, duration, symbolic
- Time is critical because it is so invisible, taken for granted.
- **nature of space**
- comes to have symbolic meanings
 - Distance and Relative Placement
 - *has both physical and social meaning
 - ***intimacy distance* touching; 6"-18" too far
 - ***personal distance* 18"-30" near; 2'-4' too far. soft voice
 - ***social distance* 4'-7' near; 7'-12' too far.
 - ***public distance* 12'-25' near; >25' too far.
 - *feelings about distance have biological roots.
 - *we use partitions, walls, sound barriers, etc
 - *intrusion distance
 - Symbols of Space
 - *who has what and how much
 - *size may determine rank.
 - *decorating one's office
 - *design of space reflects much
 - Body Language
 - *use of gestures, body position
 - *who do you sit next to, avoid, touch, bow to
 - *deferring reinforces hierarchical relationship

- **nature of human nature**
- what are our basic instincts
- what is inhuman behavior
- good or bad intrinsic or learned?
- self is compartmentalized: work, family, leisure
- Maslow's basic needs

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- human nature is complex and malleable
 - changes in life cycle as humans mature
 - humans can learn new things.
- **nature of human activity**
- how humans act in relation to their environment
 - **The Doing Orientation**
 - *controlled by manipulation
 - *pragmatic orientation toward the nature of reality
 - *belief in human perfectibility
 - **getting things *done*, let's *do* something; *focus' on task, on efficiency, on discovery
 - *id with Prometheus
 - *id with Athena = task
 - *id with Zeus = building useful political relationships
 - **The Being Orientation**
 - *nature is powerful
 - *humanity is subservient
 - *kind of fatalism

cannot influence nature
become accepting and enjoy what one has
*think in terms of adapting
 - **Being-in-Becoming Orientation**
 - *harmony with nature
 - *develop own capacity to achieve perfect union with the environment
 - *focus on what person *is* rather than what can be *accomplished*.
 - *id with Apollo which emphasizes hierarchy, rules, clear roles
 - **Activity Orientation and Role Definition**
 - *nature of work and the relationships between work, family, and personal concepts
 - *in one work is primary
 - *in another family is primary
 - *in another self-interest is primary
 - *in another integrated life-style is possible
 - **Organization/Environment Relations**
 - *can nature be subjugated
 - *nature harmonized with
 - *does group view itself capable of dominating nature
 - *or coexisting with nature

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- **nature of human relationships**
- make group safe, comfortable, and productive
- must solve problems of power, influence, hierarchy
- and intimacy, love, peer relationship
- **Individual and Groupism**
- *individual competitive
- *cooperative: group more important than indiv
- *hierarchy and tradition
- **Participation and Involvement**
- Etzioni's theories:
 1. coercive systems
 - members are alienated
 - exit if can
 - peer relationship develops as defense v authority
 - unions develop
 2. utilitarian systems
 - will participate
 - evolve work groups
 - incentive system
 3. systems based on goal consensus between leaders and followers
 - morally involved
 - identify with org
 - evolve around tasks in support of org
- At a more specific level
 - autocratic
 - paternalistic
 - consultative/democratic
 - participative and power sharing
 - delegative
 - abdlicative
- **Characteristics of Role Relationships**
- Parson's:
 1. Emotionally charged or emotionally neutral
 2. Diffuse or specific: like family or salesperson
 3. Universalistic or particularistic: broad or specific criteria

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4. Ascription or achievement oriented: family connections or accomplishments
 5. self or collectively oriented
- Culture is not only deep it is wide and complex.
 - Culture comes to cover all aspects of life.

How Leaders Create Org Cultures

- mysterious: how does it happen?
- **Culture Beginnings and the Impact of Founders as Leaders**
- spring from three sources:
 1. beliefs, values, and assumptions of founders
 2. learning experiences of group members
 3. new beliefs, values, and assumptions brought by new members
- Impact of founder most important.
- Orgs do not form spontaneously or accidentally.
- The process of culture formation is the process of creating a small group:
 1. single person (founder) has idea.
 2. founder brings in one or more people and creates core group. They share vision and believe in the risk.
 3. founding group acts in concert, raises money, work space...
 4. Others are brought in and a history is begun.
- Jones an example of "visible management"
Culture does not survive if the main culture carriers depart and if bulk of members leave.
- Smithfield started things and then left them to the members.
- Murphy of Action: Total consensus had to be met. Open office landscape.

How Founders/Leaders Embed and Transmit Culture

- Leader assumptions are "taught" to the group.
- Things tried out are leader imposed teaching.
- how do leaders get their ideas implemented?

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socialization
charisma
acting, by doing, exuding confidence

Culture-Embedding Mechanisms

Primary Embedding Mechanisms

- called "climate" of the organization
- "Climate" precedes existence of a group culture.

What Leaders Pay Attention to, Measure, and Control

- what leader systematically pays attention to communicates major beliefs.
 - what is noticed
 - comments made
 - casual questions and remarks
 - becomes powerful if leader sees it and is consistent
- If leader is unaware and inconsistent then confusion can ensue.
- consistency more important than intensity of attention.
- attention is focused in part by the kinds of questions that leaders ask and how they set the agendas for meetings
- emotional reactions.
- important what they do not react to.

Leader Reactions to Critical Incidents and Organizational Crises

- in crisis: how do they deal with it?
 - creates new norms, values, working procedures, reveals important underlying assumptions.
- Crises are especially important in culture creation.
- Crisis heighten anxiety, which motivates new learning.
- A crisis is what is perceived to be a crisis, and what is defined by leader
- crisis about leader, insubordination, tests leader.

Observed Criteria for Resource Allocation

- how budgets are created reveals leader assumption.
- what is acceptable financial risk?

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- how much of what is decided is all inclusive? bottom up? top down?

Deliberate Role Modeling, Teaching, and Coaching

- own visible behavior has great value for communicating assumptions and values to others.
- video tape is good
- informal messages are very powerful.

Observed Criteria for Allocation of Rewards and Status

- Members learn from their own experience with promotions, performance appraisals, and discussions with the boss.
- what is rewarded or punished is a message.
- actual practice, what happens as opposed to what is written or said.
- if something is to be learned there must be a reward system setup to insure it.

Observed Criteria for Recruitment, Selection, Promotion, Retirement, and Excommunication

- adding new members is very telling because it is unconsciously done.
- also who doesn't get promoted says something.

Secondary Articulation and Reinforcement Mechanisms

- In young org design, structure, architecture, rituals, stories, and formal statements are cultural reinforcers, not culture creators.
- once an org stabilizes these become primary and constrain future leaders.
- These are cultural artifacts that are highly visible but hard to interpret.
- When org is in developmental stage, the leader is driving force. After a while these will become the driving forces for next generation.
- These secondary mechanisms will become primary in Midlife or mature orgs.

Organization Design and Structure

- Organizing org has more passion than logic.
- Founders have strong ideas about how to organize

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- build a tight hierarchy that is highly centralized.
- strength in people so decentralized
- negotiated solutions (Murphy)
- How stable structure should be is variable.
 - some stick to original setup
 - some constantly rework
- Design
 - some articulate why this way
 - some not aware of why this way
- structure and design can be used to reinforce leaders assumptions.

Organizational Systems and Procedures

- Routines most visible parts of life in org: daily, weekly, monthly, quarterly, annually.
- Groups members seek this kind of order
- they formalize the process of "paying attention."
- systems and procedures give consistency
- inconsistency allows for subcultures.

Rites and Rituals of the Organization

- rites and rituals may be central in deciphering as well as communicating the cultural assumptions.
- they can be powerful reinforcers too.
- they are only views of a limited portion of org so be careful.

Design of Physical Space, Facades, and Buildings

- visible features
- symbolic purposes
- may convey philosophy
 - open office means openness

Stories About Important Events and People

- As history develops, stories evolve.
- stories reinforce assumptions.
- Leaders can't control stories about themselves.
- Using stories to decipher org has its problems: Validity.

Formal Statements of Organizational Philosophy, Creeds, and

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Charters

- formal statements only highlight a small portion of the assumptions.
- Only reflect what is available for public consumption.
- Cannot be viewed as definitions of the org.

Summary and Conclusion

- How leaders embed the assumptions into and create culture
- How they get others to share assumptions.
- Primary mechanisms used to embed in ongoing manner.
- Secondary more subtle, more ambiguous, more difficult to control, yet can be powerful reinforcements of primary
- Mechanisms convey culture content to newcomers.
- secondary become primary in time.
- new leaders becoming cultural change agents as org matures declines.

Organizational Midlife

- culture growth and change
- Cultural dynamics are ultimately a reflection of group dynamics
- as groups mature they develop subgroups
- leadership and cultural dynamics

1. founding and development stage

founder ownership
nothing to with age or size
can be old but in developmental stage

2. organizational midlife

shift in ownership
at least two generations of leaders
nothing to do with age or size

3. organizational maturity and decline

all taken for granted
if environment shifts and can't adapt: dead

- Must consider degree of relativity. To society everything is a

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subgroup. In a company it is the macrocosm and all else under is microcosm. It is who considers self macrocosm.

- **Major Bases of Differentiation** Creation of subcultures

Functional Differentiation

- subcultures are a product of culture of the function
 - production hires people in manufacturing
 - finance hires accountants
 - like minded stay with like minded
- Each function is a blend of founder and occupational function
- "thought words" (Douglas) functions have own nomenclature which makes interaction tough sometimes
- with org growth subcultures become stable and well articulated
- Rotating a young manager through all dept is a training for top position.
- sometimes huge gulfs between two functional subcultures based on communications gaps.
- brings diversity which is needed based on functions
- creates problems
- teaching culture to new members becomes harder.

Geographical Differentiation

- creation of subcultures to break into several geographical units
- Logic:
 - need to get near customers and needs are different
 - take advantage of local labor costs
 - cost savings on being near raw material
 - use of local market
 - geographic subcultures adopt local culture
- who runs geo subculture: local or home?
- as orgs mature geo units may take over functions
- communications may break down between host and unit

Differentiation by Product, Market, or Technology

- technologies change as org matures
- product changes
- customers change

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Divisionization

- decentralization
- divisional subculture

Differentiation by Hierarchical Level

- hard to coordinate large numbers of people
- solution is to create more layers in bureaucracy
- isolated teams have own subculture
- complex mental equations to make decisions.
 - competence of org
 - financial risk
 - degree to financial self-sufficiency
- Top-management cultures = similar in structure
- will be defined by the tasks to be done.

Mergers and Acquisitions

- culture and subculture crucial
 - mergers is a blending
 - acquisition: smaller becomes subculture
- problem in both: no shared history
 - one will feel inferior, threatened, angry, defensive
- rarely checked: philosophy, origins, = cultural mismatch
- understand cultural risks
- clash of assumptions = disaster
- Why?
 - not aware of own culture
 - not aware of other culture
 - do not history

Joint Ventures, Strategic Alliances, and Other Multiorganizational Enterprises

- Culture issues can cause failure
- know other culture
- each party may feel inappropriate to bring their feelings out in the open.
- ignorance of another culture results in crisis

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Structural Opposition Groups

- subgroups develop as opposing other groups
- some groups are deliberately countercultural: unions
- racial, gender, etc groups form subcultures

Summary and Conclusions

- Remember to integrate subcultures
- be sensitive to subcultures
- Building an effective org is a matter of meshing by encouraging evolution of common goals, common language, common procedures to solve common problems.

Evolution of Culture and Leadership

- Culture Change
- how culture evolves in organizations
- problem of culture change in declining orgs
- culture change in midlife and mature orgs
- when approaching evolution change depends on where one stands.

Dynamics of Culture Change and Leadership in Young Organizations

- In a mature org harder to change things. Old dogs new tricks...
- **Dynamics of Change**
 - all systems attempt to maintain equilibrium and maximize autonomy.
 - Coping, growth, and survival all involve maintaining the integrity of the system
 - evolution of culture is a way a group preserves its integrity and autonomy, differentiates itself from environment, and provides itself with identity.
- **Unfreezing**
- motivation to change
- 3 processes must be present to generate motivation:
 - enough *disconfirming data* to cause serious discomfort and disequilibrium
 - connection of disconfirming data to important goals and ideals

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causing *anxiety and/or guilt*

enough psychological safety: having enough sense of identity and integrity to go ahead with change.

- Disconfirming data shows that goals aren't being met or some of processes aren't being met.
 - Sales are off
 - complaints are up
 - high turnover of employees
- If change threatens my whole self, I will deny the need for change. Velcro theory here.
- most will ignore disconfirming data or rationalize it away.
- called strategies myopia: when strategies that do not fit leaders prefixed ideas are ignored. hearing something and denying it,
- If can't figure out what to do, ignore it.
- once group is in pain they will listen to disconfirming info.
- **Cognitive Restructuring**
- Οχι υποζεν μων ψδιφεντ ποησων βε φλλωεδ.

imitation of role models

- This will provide new learning to core assumptions. retooling
- Most change processes emphasize need for behavior change.
 - can be coerced but will not last once pressure is off. USSR
- **Refreezing**
- Once new behavior and core is fixed.
- Will stay like this until disconfirmation starts it again.