Firm level cultural analysis

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Abstract

Purpose: The paper aims to analyse organizational culture using Johnson, Scholes and Whittington's Cultural Web. The paper also aims to analyse the usage of Cultural Web in understanding how firms can change their culture as well as how culture can affect chosen strategies.

Methodology: Several firms were analysed to determine their culture.

Findings: Organizations' culture can be analysed using Cultural Web as well as helping firms to change their culture. In addition, strategies can also be decided by analyzing organizational culture.

Keywords: Cultural Web

Paper type: Conceptual

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1. Introduction

This article examines culture at the firm level. The analysis will be based on Cultural Web (Johnson, Scholes & Whittington, 2008) and will analyze the culture of some organizations. The first section of this article will describe cultural model to be used, i.e. Cultural Web (Johnson *et al.*, 2008). This is then followed by analysis of several organizations. Finally, there will be a conclusion section to wrap up the main points.

2. Cultural Web

The cultural web of Johnson *et al.* (2008) is diagrammatically illustrated in Figure 1.

Figure 1: The Cultural Web

Source: Johnson, G., Scholes, K. and Whittington, R. (2008), *Exploring Corporate Strategy* (8th ed.)

According to Johnson *et al.* (2008, p. 197), the cultural web shows the behavioral, physical and symbolic manifestations of culture at the organizational level. The elements of cultural web are explained in the next paragraphs.

The paradigm is at the core of cultural web and refers to the taken-for-granted assumptions and beliefs of employees. Routines refer to "the way things are done around here" while rituals are activities or events that emphasize, highlights or reinforce what is especially important in the culture. Examples include training programmes, interviews, promotion, assessment procedures, among others.

The stories told may act to embed the present in its organizational history and also highlights important events and personalities. The stories told can be about successes, disasters, heroes, villains, mavericks, among others.

Symbols are objects, events, acts or people that convey, maintain or create meaning over and above their functional purpose. These include offices and their layouts, cars, titles, pictures, and also mission statement.

Power structure explains the one who wields the power. While it is often taken for granted that power structures are people at the highest echelons of an organization, there can at times be other persons lurking around the shadows of top management that may affect and influence their decisions.

Organizational structure and reporting relationships may also reflect a firm's values, beliefs and norms. Taller structures and convey a different meaning while flatter structure that decision-making is decentralized.

Control systems focus on how to control employee behavior. This may include rewards, performance appraisal, policies, procedures, handbooks and internal controls.

3. Analysis of organizations using cultural web

3.1 Stories

Under the leadership of Paul Polman, CEO of Unilever since 2009, the emphasis has been on sustainability issues. Polman mentioned that if investors did not believe in this sustainability model, he told them to put their money elsewhere (Gunther, 2013, p.67). However, investors did not put their money elsewhere and share price and revenues improved.

During the time of Lee Kun Hee, chairman of Samsung (may soon step down to allow his son, Lee Jae Yong to become chairman due to illness), when he made a world tour in 1993, he was utterly disappointed with what he saw and a convened a meeting in Falkenstein Grand Kempinski Hotel in Frankfurt, Germany, he ordered all of Samsung's executives to meet him there. Here he delivered a speech that lasted three days and his most famous mantra was "change everything but your wife and children". This event became known as the Frankfurt Declaration and Chairman Lee Kun Hee's clarion call was to emphasize on quality. The décor of the hotel room has been replicated in Samsung's Creativity Complex, known as the Changjo Kwan (Grobart, 2013).

Another story of chairman Lee occurred in 1995 where he was unhappy with the quality of cellphones produced and directed his underlings to assemble around 150,000 devices outside the cellphone manufacturing facility (Gumi Complex) and more than 2,000 staff gathered around the pile of cellphones. He then set fire on the pile of cellphones. This incident became known as the Great Phone Incineration of 1995 (Grobart, 2013).

Other stories abound such as the stories of the CEO of Estee Lauder, Fabrizio Freda who is a good listener, determined and resolute. His focus is on data and he likes to create a sense of excitement on cutting costs. He also focuses on employees' strengths and not trying to improve weaknesses. He likes to encourage his staff to offer ideas that challenges his own and he is good in synchronizing and allocating resources (Tully, 2013).

There are also stories about the CEO of Yum Brands (the franchisor of KFC), David Novak who is recognized as a team builder and has developed a discipline of nurturing and developing leaders. His office is filled with photos of staff and rubber chickens, and sets of teeth on skinny legs with oversize feet. He does not take pride in elegance and office deco as well as he is very approachable (Colvin, 2013).

Stories form the fabric of organizational culture and interesting stories spread from one mouth to another and soon becomes part of an organization's values, beliefs and norms.

3.2 Power structures

At Yum Brands, a high ranking position has been created, called Chief People Officer so that its brands like KFC and others have staff that are customer-centric (Colvin, 2013). On the other hand, the power structure of Estee Lauder consist of the Lauder family that sits on the board and have 86% voting rights (Tully, 2013).

In the case of Yahoo, it is the CEO, Marissa Mayer who wants to transform Yahoo into a media company in the mobile age (Stone, 2013). For Unilever, to emphasize sustainability, the board created a position called, Chief Sustainability Officer (Gunther, 2013).

These positions and the incumbents will strive to steer the company in the direction desired. Hence these physical manifestation of positions will reflect a firm's values, beliefs and norms.

3.3 Rituals and routines

For Estee Lauder, their routines consist of encouraging feedback from staff and making brand presidents fully accountable to profit and loss. The most important metric is profit and cost measures (Tully, 2013).

In Goldman Sachs, their routines consist of formation of affinity networks for minority, special interest groups and even for an active LGBT (lesbian, gay, bisexual and transsexual) network. In addition, it also has a program that pairs employees with volunteer projects run by non-profits. This program is called, Community Team works. Goldman Sachs also has another routine which they called as "Returnship", a ten week program designed to help talented people return to the workforce after a "voluntary career break" of two years or more. It also has a Corporate Citizenship committee which has contributed more than $100 million to aid women entrepreneurs in developing countries (Vandermey, 2014).

In Yahoo, under Marissa Mayer, there are Friday "FYI" meetings with employees (Stone, 2013; Hempel, 2014) and an internal online service that allows employees to complain about organizational issues, called PB & J (process, bureaucracy, and jams) (Stone, 2013).

In Yum Brands, CEO has developed a leadership development program called "Taking the people with you". This program has been translated into different languages for training material. The aim of this program is to build effective teams (Colvin, 2013).

In Samsung's Gumi Complex where smartphones are built, there is Korean pop music chosen by psychologists to help reduce stress among employees. In addition, workers are not put in an assembly line. Production is done on a cellular basis and each employee is then responsible for the overall assembly of the phone (a form of job enlargement) (Grobart, 2013).

3.4 Organizational structure

Organizational structure will show the power and important roles and relationships. These roles and relationship may illustrate and personify the values, beliefs and norms of an organization.

Samsung adopts a vertical integration where it has control over upstream activities such as display screens, memory and processors) as well as over downstream activities such as marketing. In

addition, Samsung also adopts a militaristic structure where all pertinent decisions are decided by the CEO – a top-down structure (Grobart, 2013).

Pay Pal, on the other hand, adopts a decentralized structure to encourage faster innovation. Its subsidiaries like Paydiant and Braintree operate independently, keeping their offices, names and leadership while under the Pay Pal umbrella (Rao, 2016, p.87).

Estee Lauder however believes in centralized purchasing and appointing country heads (Tully, 2013).

Thus different organization's organizational structure will have an impact on a firm's subsequent values, beliefs and norms.

3.5 Control systems

Control systems focus on controlling employee behavior and include rewards and other measurement systems. These systems will definitely impinge on a firm's values, beliefs and norms.

In KFC, CEO David Novak spends time listening to franchisees and trying to make top managers and franchisees share the same ideals so that cooperation can occur easily and therefore, control is more informal (Colvin, 2013).

In Estee Lauder, control is obtained by altering the reward structure to focus on profits (Tully, 2013). Goldman Sachs goes all the way to focus on rewards to influence employees' behavior. They have flexible working arrangements, longer maternity leave, infant transition program, inhouse cafeteria, physical fitness centre, among others (Vandermay, 2014).

In Honda, to address the quality issues such as engine failures, a new management line-up was formed with direct reports to CEO, Takahiro Hachigo. Hence there is more direct supervision in terms of policies and procedures (Bloomberg, 2016).

3.6 Symbols

Symbols are objects, events, acts or people that convey, maintain, or create meaning over time and above their functional purpose (Johnson *et al.*, 2008, p. 199).

In KFC, the symbols used to depict appreciation, honor and rewards are rubber chickens, teeth with skinny legs and oversized feet. In addition, pictures in the CEO's office depict staff receiving rewards (Colvin, 2013). These symbols convey KFC's values, beliefs and norms.

In Unilever, the manifesto, "Sustainable Living Plan" has become part of an object, act and event where Unilever plans to double sales, cut down on environmental footprint and source all its agricultural products in ways that don't degrade the earth by 2020 (Gunther, 2013).

3.7 Paradigm

Paradigm refers to the taken-for-granted assumptions and beliefs (Johnson *et al.*, 2008, p.197).

In Estee Lauder, the paradigm is on cost savings and focusing on profits while at the same time, feedback and suggestions are always welcomed (Tully, 2013).

In Samsung, employees feel that the firm is in perpetual crisis and they should not rest on their laurels but to continue to embrace change, otherwise, Samsung may lose out competitively (Grobart, 2013).

In KFC, the taken-for-granted assumptions are that KFC is a company that focuses on people, their worth and give their staff due recognition. Their assumptions are also that they have a CEO who is both task- and people-oriented (Colvin, 2013).

4. Conclusions

The Cultural Web as proposed by Johnson *et* al. can be used to analyse organizational culture. Organizational culture is a very important consideration for companies in their decisions on strategy. For example, eBay decided to divest (sell-off) Skype to Microsoft partly because of the lack of compatibility of Skype's culture to its parent, eBay (Rao, 2016).Hence compatibility or otherwise of an organization's culture can determine strategy chosen.

In addition, compatibility of culture or otherwise can also affect communication and collaboration. Furthermore, knowing organizational culture can also help a firm to de-culture to achieve its goals and objectives.

Honda, under its previous CEO had tried to change Honda's culture by de-emphasizing on research and focusing more on marketing (Taylor III, 2013).

Therefore Cultural Web can be used to understand a firm's organizational culture, de-culture a firm's culture as well as helping firms to formulate strategies.

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