

Probing Question: What does 'corporate culture' mean?

June 15 2012, By Melissa Beattie-Moss

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Big companies have long used catchy taglines to give [consumers](#) a feel for their [guiding principles](#), or their "corporate culture" to use the buzzwords.

But what is really meant by the word "culture" when applied to big business? And are American companies changing their culture these days?

Says William Rothwell, professor of Workforce Education & Development in Penn State's College of Education, "The notion of corporate culture was derived from the earlier work on social culture of anthropologists, archeologists, and paleontologists. It later became a term adopted by other management writers and theorists until it has become common usage in the business world today."

However, says, Rothwell, most people misunderstand what corporate culture is and how to change it if it's not working well. The culture of an organization is not just something you can announce with a slogan, but rather the end result of actions you've taken, he explains. "I sometimes hear managers say that they want to 'change the corporate culture.' But they often forget that the culture is the result of a group or organization's experience. To change corporate culture, then, requires giving an organization a new experience. Organizational leaders shape the culture

based on the role models they set, the actions they choose to take, and how the people of the organization perceive those actions."

Culture is not a monolithic thing, adds Rothwell, and "everyone knows that the way things are done in the accounting department of a company may be somewhat different from the way things are done in the engineering department, IT department, or HR department. While the corporate culture is shared, groups develop their own ways of interacting because of the nature of the work they do and the shared understandings they have developed from a common educational background." These are microcultures, says Rothwell, "the shared understandings of smaller groups within a larger corporate culture."

Is there a formula for a successful corporate culture? Authoritarian cultures in companies, as in nations, may be the most efficient, explains Rothwell, but competitive success may require more than efficiency. The trick today, he notes, is to move fast but with the best ideas. And the best ideas do not come solely from the senior leaders at the top. "The challenge is to unleash the creative potential of workers," Rothwell emphasizes. "Indeed, the leader's role has changed from authoritarian, who tells people what to do, to facilitator, who challenges people to come up with the best ideas and finds creative ways to identify obstacles to productivity and knock them down."

But can individuals really influence corporate culture? That depends on their own level of self-confidence and freedom from fear of retribution, says Rothwell—"and the type of corporate culture in which they find themselves."

In an open corporate culture, he explains, "leaders encourage people to speak their minds and take action. People feel empowered. In those corporate cultures, it is easy for people to have an impact and make a difference." By contrast, in closed corporate cultures that are

hierarchical and authoritarian—"and most large organizations are of this kind"—making change often depends on swaying leaders. "And that can be an issue," adds Rothwell, "because change can hinge on the quality of who the leaders are, what role models they set, and how open-minded they are. Good ideas can get lost in bureaucratic shuffles and innovators can be discouraged if they do not fit the preconceived notions of the leadership."

But innovators shouldn't lose heart, says Rothwell, because things are trending their way. "In the future, American [corporate culture](#) faces a challenge," he notes. "Large organizations will increasingly be placed at a competitive disadvantage because they can be just too slow-moving, too bureaucratic, and too prone to squash individual innovation.

While that's not such good news for large, traditional, and bureaucratic organizations, it could open new opportunities for small business, entrepreneurs and all those who "[think different](#)."

Provided by Pennsylvania State University

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