

## Changing Corporate Culture in the Local Competitive Environment

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While the determination of which telecommunications companies (or "telcos") will win in tomorrow's marketplace depends on strategic and technological factors, critically important as well is the internal organization and operations of the competitors themselves. As a result, the telecommunications executives have been paying increased attention to the "corporate culture" dimension of competitiveness and marketplace success as they search for a new organizational identity and posture. The cultural dimension may also prove to be a significant factor at the international business level as corporations try to absorb and blend workers and strategies drawn from various nations and sectors into cohesive business units.

The American experience is valuable because just as the United States has been on the forefront of the liberalization of its telecommunications regulations, U.S. companies have also been at the leading edge of experiments to find new ways of organizing themselves and marshaling their human resources to address the changing environment. This essay aims to describe the forces that have led to the emphasis on internal reorganization as a means for dealing with external environments and particularly on a specific means of retooling employee attitudes, behaviors, and goals. I begin with a brief definition of corporate culture, then turn to an analysis of the forces making it an object that managers would seek to address. I next discuss actions by various telcos and conclude by trying to discern what from these experiences might be relevant in the European and cross-national context.

### 1. What Is Corporate Culture?

Gordon and DiTomaso defined corporate culture as "the pattern of shared and stable beliefs and values that are developed within a company across time."<sup>1</sup> This definition is eminently suitable to my purposes. But to put some flesh on the concept, I will introduce the results of the research of Gordon and Cummins<sup>2</sup> who factor-analyzed the construct to arrive at eight dimensions of corporate culture. The result provides us with a clear sense of the operational aspects of corporate life and culture. I have adopted these and added two topics to yield the following (an asterisk indicates my addition):

- myths and legends\*
- shared goals
- decision making
- innovation/risk-taking
- action orientation
- social meaning of work\*
- accountability
- development
- communication
- equity, reward

It is also worthwhile to distinguish corporate culture change from two other strategies/levels of change that corporations have tackled. These are the organizational levels (the formal structure, lines of authority, and missions of business units) and the process levels (the methods and procedures by which business is conducted), which are different from the performer level (how people are led, managed, and evaluated). It is this latter area that is the focus of corporate culture. Although for a true retooling to occur all three levels must be addressed and they cannot operate independently, for our purposes we will concentrate primarily on the "performer" level, the central feature of a corporate culture concept.

## **2. Why Have Some Companies Sought to Change Their Corporate Culture?**

From afar, it is easy to see that major changes are sweeping the U.S. telecommunications industry. Corporations are operating differently so they can survive and even thrive as markets liberalize, margins decline, customers become choosier, and ferocious competitors close in.<sup>3</sup> But it is harder to see what is happening within these corporations as they change their structures and operations, in part because this is a sensitive public relations issue and commercially vulnerable proprietary area. It is still more difficult to understand the mechanisms by which some corporations are deciding to explicitly change not just their procedures and structures but also their cultures. Despite this lack of clarity about mechanisms, a growing number of employees are being asked to change their view of their lives and purposes, their understanding of what their jobs are really all about, and even their language and social relationships. In short, recent programs of culture change aim to affect the content and meaning of people's lives in a direction that has been determined and evaluated in advance.

These programs are important of course because they alter the way of life of tens of thousands of people. They are also important because they could affect the prosperity and survival of some of America's largest corporations as well as the nature of the country's telecommunications industry. And finally they are important because they serve as bellwethers for other companies about actions that might be taken, risks that must be addressed, and mistakes that should be avoided. Let us review the particular motives for undertaking these programs.

### **Pressure to Change Fast**

A primary reason for these programs has been that the rate of change in the telecommunications industry has been accelerating. This commonplace assertion takes on special meaning, however, when we appreciate two factors. The first is that there was already a prior culture in place, the Bell culture. This culture was exceedingly strong, having evolved over nearly a century of minor adjustments into a highly stable regulatory environment. This culture was also a successful one for its time, a point to which I will return. The second is that since both the technology and the manpower base were relatively stable, there could be gradual adjustments in procedures, and employees could exchange loyalty and dedication in return for job security. There was a deeply embedded culture, and it was finely attuned to the realities of the time.

Another point is worth making about change in the telecommunications industry: it takes only a few people acting in concert to drastically alter the industry's structure and composition (witness the breakup of AT&T).<sup>3</sup> Yet the daily activities of the tens of thousands of people who make up the workforce of the telecommunications industry cannot change as quickly. Their activities and beliefs will change only as fast as revised methods of operation percolate down



through the organizational ranks and are absorbed into daily routines. So while the corporate shell is structured by the few, the corporate culture is structured by the many.

### **The Origins of the Culture Change Concept in Management Theory**

The movement known by its focus on "corporate culture" has a history that brings together several strands of management theory. It represents a blending of the structural school (typified by Chester Bernard), contingency theory (e.g., Lawrence and Lorsch), and the human potential movement (e.g., Theory Y).<sup>4</sup> While the details of these schools of thought need not detain us, it is helpful to appreciate that the attempt to change culture rests on a foundation of philosophy, research, and analysis. It is also important to note that because so little experimentation or data gathering has been performed on different theories of culture change per se, not much is actually known about the relative efficacy of various approaches.

But the key insights of the corporate culture movement are that the way people live their lives within a corporation is a social construct, a world in which the customs, legends, norms, vocabulary, attitudes, and beliefs are created. The nature of this world directly affects the quality and speed of the work output. What can be created by people is arbitrary and therefore directly changeable, malleable, and manipulable.

In the past, this world was seen as either not important, and therefore safely ignored, or as malleable to a limited but necessary degree. The Taylor "scientific management" school did not care what workers believed or what their culture was so long as they carried out instructions. The human relations school was also uninterested in directly manipulating culture as a symbolic object, believing instead that with good, caring leadership people would perform well. Culture was not a concern because it would in effect take care of itself.

As the telecommunications environment began rapidly changing after 1983, some high-level corporate managers made an unsettling observation. After they gave commands, these managers noticed that a short time afterward they had not been carried out. This was rather a surprise since under the old system orders were to a large extent executed. Gradually consensus emerged among top leaders, catalyzed by consultants, as to the reason for this decoupling of instruction and meaningful response: namely, the ambient corporate culture was inappropriate for the situation. The culture precluded the means of carrying out the orders.

Yet beyond the particular attraction of corporate culture change itself and the efficiencies it promises, is its attractiveness at the individual psychological level of corporate leaders. These leaders want to put their personal stamp on an organization, to have made a difference. (This is consonant with the attitude that at a high level an organization is an extension of one person's idea, a lengthened shadow of one or a few people. This belief is often reflected in the myths and legends of companies, especially in the holding of its founder in a reverential light.) Thus, corporate culture transformation allows the arriving crop of leaders to imagine an objective and have that objective achieved without their direct intervention. While in a sense this is true for most organizations, it is particularly relevant to telcos because the new leadership of these corporations viewed themselves as part of a fresh generation, a group with a new outlook that would transform the industry. They wanted to set their personal stamp on the organization, make it "look and feel" different than it had been before their arrival. And of course they anticipated that a culture change would add to their company's viability and profitability.

### **Decreased Cultural Homogeneity of Entrants to Management Cadres**

This lack of control alluded to above was further complicated by a series of civil rights laws and court decisions that led major companies, including telcos, to recruit in large numbers members of groups that had previously been underrepresented or nonexistent among the management ranks.<sup>5</sup> Before these decisions, one could make some reasonably accurate assumptions about the nature and types of upper-level employees of telcos. The leaders and managers generally were white males fully involved in a lifestyle that included not only certain manners of self-presentation at work but outside of work as well. Certain base values and norms were not only agreed upon but went unquestioned. Both at work and outside of work, here was a shared, fully subscribed culture that dictated specific attitudes, norms, behavior, jargon, and values. With the influx of new employees (especially of the managerial level) not socialized to this culture, leaders had to find alternative ways to deal with these new entrants. They needed to explicitly induct these culturally diverse people into a dominant corporate culture. (At the same time, great respect has been evinced for the relevant subcultures that were newly recruited. Cynics might assert that this respect for cultural diversity was really a twin-pronged strategy aimed at co-opting new entrants into the corporation's culture while minimizing the risk of lawsuits based on discrimination or bias.)

In a sense, the larger national cultures of the American middle class worked in the past as a selection tool for the new members of the corporate culture, which was itself a reproduction of the middle class. Having the manners and outlooks of the middle class, as well as its work ethos, meant that the corporations had much of their "social work" done for them. Little attention was therefore paid to the explicit culture of higher-level employees and managers.<sup>6</sup> (It is perhaps worth noting that in the early days of telephony the switchboard operators were boys.<sup>7</sup> Members of this rather unruly subculture were replaced by women, representatives of a subculture seen as more docile, polite, and flexible, especially when faced with balky equipment and customers or overbearing supervisors.) By appreciating the utility of being able to give an explicit "cultural orientation" to new (and current) employees, it was but a short step to the desire to change the culture itself in ways favorable to the corporation. This would be done not just to speed the integration and absorption of new workers and managers but to regain cultural homeostasis and a comfortable working environment.

### **Desire for Central Authority: A Predictable Response to Turbulent Change**

Contingency theory<sup>8</sup> has long maintained that one reaction of organizational leaders to an operating environment that is becoming unpredictable, turbulent, and competitive is to tighten internal control over workers. If this hypothesis is correct then telco leaders would look for tools and methods to assert this control. Retooling corporate culture thus appears as a natural response and method (for reasons delineated below) in the attempt to deal with this changing environment.

### **Corporate Belief Structures: Often Based on Extrarational Criteria**

Bolstering the drive for control are several supporting beliefs that, although coming from independent sources, merge and shape the corporate culture construct as it is currently implemented in the United States. These beliefs include the notion that time, rather than being something that just passes or happens, is a resource to be managed and exploited. There is something of a cottage industry in the United States for holding time management workshops, creating time management technologies and techniques, and performing detailed time accounting.



It is perhaps no accident that "time-motion" studies originated in the United States, and even though the phrase "time is money" may not have been coined in America, its practice seems to have reached its apogee there.<sup>9</sup>

Another point in this regard is the role of fashion. In the 1960s, the conglomerate style of business activity was the dominant mode, and such corporations as Litton, Allied-Signal, and Grace arose. It would not be uncommon for these corporations to have, say, food sauce bottling, missile guidance system research, and car tire manufacturing all under one management umbrella. However, this approach is now out of style, and instead corporations are entranced with "returning to basic strengths," which means reducing lines of business to a few central themes and lines. Is there something inherently different about the business world in the 1990s than in the 1960s? Were strategic planners then not able to see things that current ones are able to see today? Without necessarily answering these questions, even the fact that we can raise them would indicate that fashion and zeitgeist are factors that must not be minimized when seeking to understand corporate decision making and behavior.

Beyond these extrinsic reasons for the attractiveness of changing corporate culture, there is also what might be called the intrinsic reason. It is fundamentally true that the nature of business has become more global, quicker paced, and more efficient. And, by the same token, the pace of innovation in products and techniques, as well as management science, has accelerated. So new techniques are being created to respond to business needs, and "corporate culture" is one of them. This brief history of an idea helps us see that ideas and actions do not take place in a vacuum. Rather they have a context that when understood yields insight into how management ideas take root and become applied. The context also dictates their reception as well as their impact. The choices made in America in turn will affect how international ventures work out. And for those who would wish to import or reformulate precepts of corporate culture change, the social setting of the ideas and implementation become crucial.

### 3. What Does Corporate Culture Retooling Try to Accomplish?

Retooling, at an abstract, metaphysical level, seeks to replace the ailing lifeblood of a corporation with a new vital blood. But this metaphor requires defining and rests on three issues: (1) what is bad or unacceptable about the current situation, (2) what should be aimed for, and (3) how the organization proposes to get from its current point to its desired point. Let us look at the last point first.

The corporate culture programs that I have seen implemented are striking because of their holistic approach. I use the word *holistic* partly because the term appears in the material written and used by corporate culture consultants. I also use it because of the concept's derivation from Eastern philosophy-inspired holistic approaches to popular psychology. The organization is viewed comprehensively as a system with interlocking components, including:

- individuals seeking self-esteem, relief from psychic burdens, and material gratification;
- individuals integrated into a supervisory system;
- organizations that have an internal work process;
- units of an organization that need to cooperate; and
- a total organization that needs to satisfy customers, both internal and external.

Note that these items could be placed into a multidimensional matrix that shows their interrelationship: in fact, consultants often use matrices and flow charts to illustrate these components for their clients. All of this communicates the interconnected nature of the issue.

### **Build Teamwork, Accountability, and Empowerment**

Given this holistic approach, how do corporate culture consultants assess their client's problems and define their own objectives? The corporate culture consultants' diagnosis of the problem seems consistent across companies: there has been a failure to put the customer at the center of the organizational mission. Even if well motivated at the individual and corporate level, there are structural impediments that if addressed in isolation cannot solve the problem. What is required is a total system -- a holistic approach. More specifically, consultants see that work life in corporations is often structured in a way that actually prevents individuals from contributing optimally, even if they wish to. When good performers have to struggle against a frustrating system, they are nearly always worn down and defeated. When subunit goals become more important than the total success of a corporation, the entire enterprise is hurt. When form rather than substance becomes preeminent, achievement suffers.

### **Integrating All Parts of Worker to Bring Focus to Corporate Problem**

Despite this desire to create a holistic operation, consultants face an essentially fragmented world. In a sense, the corporation is trying to draw on other aspects of society's values, beyond the corporation itself, while at the same time advancing some values that are antithetical to these other aspects. This leads to problems concerning loyalty and personal goals.

Looking at this issue from an abstract level, there is a well-known tie between the political and economic structure of society. Analysts of culture have accepted, almost as an article of faith, that cultural resources and beliefs are intimately connected to the material basis of society and its political organizations. It would follow then that the market economy creates a culture of individualism. And without a strong political, religious, or other emotional center to demand loyalty and value commitments from society's members, the power of the market economy intensifies in the minds and calculus of a culture's members. That is, without a counterbalance, economic aspects may overwhelm other motives for behavior.

As Karl Polanyi<sup>10</sup> and others<sup>11</sup> have noted, Western society is built on an economic system in which production occurs for profit, not for social responsibility. Work is brutally competitive because the mechanism of a market is a central force. Work is organized by extrinsic and not intrinsic rewards because in a market system price determines value and people are forced to judge their worth by their income. This culture of instrumental and expressive individualism, some like Bellah<sup>12</sup> argue, has become self-destructive. Yet it reflects the material reality in which we live, the logical working out of the market mentality. Despite this contradiction, corporate culture consultants still aim to integrate the antithetical elements of materialism and transcendentalism. The irony is that by demanding ever higher levels of commitment from workers, mainly by drawing on these transcendental resources, the resources themselves are diminished and less available in the future.

An interesting contradiction arises in many corporate culture programs as a result of this. The programs try to get people to take individual business and moral responsibility for their actions. However, they sometimes attempt this within a context that militates against this very



objective. So, for example, they want employees to embrace the idea of group participation and democratic decision making, but this goal and its desirability was secretly arrived at by a small cadre of leaders with absolutely no inputs from the people who putatively would be able to choose what they want.

#### **4. How Are These Programs Implemented?**

The grandiose ideas of the consultants must be translated into specific programs for them to have meaning. And this is what has been done in numerous American companies, including many of those in the telecommunications business.

The corporate culture change generally has three elements: reengineering process, synthetically creating teams, and resocializing individuals to have new goals, values, and behaviors. The method of implementation invariably entails some mix of sponsoring corporation design and reliance on consultants. Consultants for reasons both professional and otherwise want the corporate culture change program to be as explicit, extensive, and thorough as possible.

One U.S. telecommunications company seemingly adopted the most thoroughgoing recommendations of its consultants. It gave them a rather free hand to involve themselves in the company as the consultants saw fit, all in the name of corporate culture reengineering. This has not always set well with employees who found their lives dissected by outsiders, especially when these outsiders saw it as their mission to change the direction and content of those lives. The final step was a series of intense indoctrination sessions in which employees had to mouth certain beliefs and would be chastised if they did not sound sincere enough. A more common approach is to work hand in glove with the consultants and then formulate a series of workshops for employees. While the consultants stage manage nearly everything, including training and overseeing workshop leaders, the company's top management remains central to the action and prominent in companywide pronouncements.<sup>13</sup> Ideas about culture change are formulated by the consultants, who use arcane phraseology and shibboleths in consultation with a committee of corporate representatives. After the requisite high-level committees have passed on the recommendations, the corporate culture change machinery begins rolling forward. A collaboratively decided upon vision, style, and process are enunciated by the company president, and a flurry of meetings and workshops follows.

A third style has to do with the reengineering process via corporate resources with limited assistance from the consultants. This course has been chosen by at least two U.S. telecommunications companies. The way it has worked out, at least initially, is that numerous committees were organized under an umbrella reengineering group. At this point, several different corporate culture consultants were called in to provide pointers and review internally generated plans. All major systems and corporate process methods were analyzed with an eye to seeing if they were really necessary at all, and if so, to what extent they could be provided from outside sources at reduced cost. (This practice of outsourcing, which can save costs, is becoming increasingly popular.) In one company's case, a surprising range of activities were found to be unnecessary and were eliminated.

Sometimes the same impulse to raise efficiency can lead to radically divergent results. One telecommunications company began a "charge-back" system in which each staff unit would provide its services only if it would be "paid" by the recipient from the latter's budget. These were "paper" transactions, but the purpose was to make everyone cost-sensitive and profit-motivated.

Interestingly, another company took the opposite path. It dropped a charge-back system as being too costly, and services that had formerly been levied against internal clients on a usage-sensitive basis were now provided at no cost. Any inefficiencies created by making the resources freely available were considered less important than the efficiencies to be gained by removing cumbersome tracking and accounting procedures. In addition, since a major component of the adopted reforms was "empowerment," the workers would now be held accountable for their individual performance and expected to use corporate resources wisely, so central services would not be abused. Another result of "empowerment" was to move purchasing and signature authority approval down one level of the hierarchy (i.e., each rank now had the purchasing authority that the rank above it had previously).

Reengineering has also empowered customers. Thus, in one case, a company's division decided to eliminate any charge on a customer's bill that the customer claimed was incorrect. Previously the customer had to prove, or there had to be independent confirmation, that the charge was invalid before it would be eliminated. But the company found that the cost to adjudicate the bill was usually higher than the amount in question, and that customers were upset by the process. The "reengineering" proved to increase customer satisfaction and decrease costs (even though more cheating could now occur undetected). And it created more customer loyalty. By traditional accountability standards, this policy change would be a mistake, but from the view of customer-focused culture, it was the right choice.

While certainly it would be theoretically possible that a telecommunications company could undertake a corporate culture program without consultants, it is difficult to imagine one actually doing so. One reason for this is that in all likelihood corporate leadership would not believe that it had people within the organization who could give the necessary guidance about corporate culture, since by definition the hierarchical nature (and command and control tradition) of large telecommunications companies would preclude such a belief. But beyond this, there are valuable tactical reasons for utilizing consultants. As an example, their imprimatur might carry more weight or they might be the bearer of certain information that had best not be seen as coming from certain people or units within the corporation. In other words, consultants could bear responsibility for unpopular ideas.

### **Fragile Barrier between Individual/Corporation, Psychological/Operational, and Private/Public**

Change can be quite traumatic for those involved. Hence, an important part of the corporate culture program is to help employees deal with stress. These methods may include such things as breathing and positive visualization exercises, stress management techniques, and methods (such as assertiveness training) for dealing with others, including coworkers and family members. Moreover, a key component of such programs often involves helping employees set goals for themselves and getting them to adopt certain beliefs about self-realization and self-direction. It was precisely these initiatives that led one telecommunications company to be criticized by fundamentalist Christian employees who felt their religious rights were being trampled. Specifically, corporation-engendered beliefs that "you can make it happen" or "you control your own destiny" flew in the face of these employees' beliefs that only God decides what happens in one's life and that He controls one's destiny. These criticisms of the corporate culture program were taken so seriously that an extremely extensive (and expensive) initiative was terminated because of them. In fact, the corporate culture change programs pierce and intermingle spheres



that are traditionally kept separate in the United States: those between the public self shown at work and the private one shown in the family, the community, and in voluntary organizations (civic, religious, political, or associational).

### **What Techniques Are Used?**

Companies can purchase various degrees of corporate culture transformation from consultants. Often there is an emphasis on packaged modules. Naturally, the greatest effects are promised only in those cases where all modules are purchased. But as indicated, this can be a substantial organizational commitment, often to a method that is untested. As is characteristic of most corporate education and training operations, the emphasis is on containerization, portability, pretty packaging, and "workshop" methods.

Typical of the American approach, the training proceeds in workshops, organized along team lines, with exercises, flip charts, cheerful name tags, quotations from great men and women, and take-away booklets. The central themes that emerge revolve around personal empowerment and accountability, teamwork, priority-setting, responding to customer needs (broadly defined), and quality. Part of the resocialization process is accomplished with new phrases, code words, and jargon. For example, instead of saying "we agree," the phrasing may now be "we have come into alignment on the path forward." The reasoning for this phrasing is that "agreement" is static, while "path forward" and "alignment" are dynamic. Further, by being compelled to use new terminology, workers are forced to become consciously aware of the new values and culture. Behind these workshops, there are usually many reengineering initiatives to reduce manpower costs, streamline and speed up processes, and focus on corporate goals. All of these are a source of stress, which is itself taken into account by corporate consultants in their employee workshops.

In a paradoxical way, corporate culture is having a strong impact on the way business occurs in many telecommunications companies that successfully undertake it. This is because, on the one hand it does, when working properly, empower employees. They have greater authority to make decisions and try innovations within their sphere. But it also decreases their freedom in another way: detailed bench-marking and minutely specified performance goals are set down and the measures of success or failure are unambiguous and inescapable. Moreover, most employees become monitored much more frequently than previously. Here I am not talking about operators and installers, who traditionally have been held to detailed, exacting, and real-time performance standards. Instead, I am referring to sales, marketing, software operations personnel, and other white-collar and middle management who traditionally are evaluated at the end of a month or even at the end of a year, and then sometimes by rather arbitrary, qualitative indicators. After the corporate culture change, these people are often measured and "benchmarked" weekly or in a few cases even hourly. So in this sense their freedom and autonomy has been reduced, and the feedback loop has been considerably tightened.

I referred above to the belief in time as something that can be controlled as a corporate resource. It is an old chestnut that time is the one thing that cannot be created and that everyone has the same twenty-four hours in a day. However, many of the corporate culture techniques are designed to create more time. This is done of course not physically but mentally. Techniques are taught to save time and to work with more efficiency and concentration. Priority-setting is taught, with an emphasis on dropping low-value projects and activities so that more time will be available for high payoff ones. Techniques are also presented concerning how to conduct meetings so that the maximum amount of input and decision can be achieved quickly. (For many

in corporate life, meetings are notorious time wasters.) The result of these efforts is nothing less than more time "created," which can be productively applied to corporate ends.

Part of this time "creation" and savings stems from setting priorities. By having to set priorities, employees can pursue the highly ranked ones and ignore or limit the low ones. Within the priority framework, workers are enjoined that killing time is not murder but suicide. Time is to be conserved and dedicated to purposeful action every bit as much as corporate purchases or use of electrical energy or fuel are.

### **Responses of Employees and the Indigenous Culture**

One of the jargon phrases incorporated in a typical training session was "time thieves." To illustrate the concept of numerous small activities and inadvertent occurrences that waste time, the consultants had cartoons depicting small gremlins carrying off bags labeled "time," seen as sneaking away from employees and the corporate offices. In a noteworthy counter, an anonymous group within the company began circulating their own literature encouraging employees to work against the corporate culture program by becoming "time thieves" -- waste the company's time, be as unproductive as possible, they were urged. So in a small way, we can see that resistance to change can take many forms, resisters can turn the symbols of those in power against them. But presumably these guerrilla actions only delay the program's onslaught (in contrast to the legalistic methods, mentioned above, that can derail corporate culture transformations.)

Employee reactions often fall into one of four categories. The first reaction is that here is an important new way of doing business and increasing personal effectiveness. These employees might think they will need these new skills if they are to perform and excel in their jobs (and indeed they may be correct). They immediately embrace the words and concepts, using them in their daily experience. While these employees may have their own thoughts about the program, there is nothing in their presentation-of-self that would reflect that they had any doubts. They play the game perfectly and evince no actions, gestures, or even so much as a lip curl to suggest they are in anything less than full agreement with the program.

A second group also tries to understand and use the system. But rather than becoming "converts" or enthusiastic proselytizers, these people openly (and perhaps ingenuously) express their doubts, hesitations, and difficulties in understanding and adopting corporate culture schemes. At the same time, they are willing to put forth the effort necessary to comply with and carry out the new cultural norms. They might be considered good but uninspired employees and are also probably the largest segment.

A third group is skeptical or perhaps even cynical. They approach the corporate culture operation as just one of an endless series of attempts to improve organizational performance. They will do the absolute minimum necessary to stay out of trouble and give exceedingly modest endorsement when called upon. Mostly, though, they sit quietly and politely during the program but express their dissatisfaction *sub rosa* during the breaks.

A final group will actively challenge the program. They will ask difficult, diverting, and problematical questions of the corporate culture module moderators. They will try to find logical or operational flaws in the program. Understandably, the implementers of the corporate change program will react. The moderator's first response may well be to use various co-optation techniques, such as soothing the question-poser, agreeing that something might be true about the assertion, expressing gratitude for the contribution then trying to move on. However, if the



"troublemaker" is persistent, heavier sanctions will be imposed. Insofar as the company can get rid of these, they may well do so.

What actually transpires at these meetings can be summarized as a combination of training session, revival meeting, and old-fashioned American boosterism. There is a moral overtone that shows the new culture is wearing a white hat and wants to help individuals become self-realized and feel better about themselves. It teaches how to control stress, which can impair any employee and usually accompanies major change in one's life, especially job-related changes. Moreover, a point that is often missed in discussions of corporate culture is that by praising the new way, one must be damning the old. In the case of telecommunications, the old, often vilified culture is in fact the "Bell culture," exactly the culture that had been celebrated for the preceding century and extolled as "the company's most treasured asset: the Bell culture." This culture now is accused of being insensitive to customer needs. However, in my estimation, the Bell culture was in fact highly responsive to customer needs, but in the old days the customer was different than today.

Yesterday's customers, though, were regulators who believed in strict accountability and good service, with a high degree of reliability and consistency. In addition, the system was run as a form of social policy. By this I mean that certain sets of subscribers were "taxed" at higher rates (namely, businesses) while others were subsidized (namely, local residential customers). This has of course largely changed, but statutory commitments to these former obligations are still in place in many parts of the organization. So corporate culture transformation can be especially intricate in semiregulated entities. In sum, corporate culture change is not only an idea but a commercial package and a social process. As such, the timing and implementation procedure as well as the prior culture will affect its assimilation and effectiveness.

### **5. Does Corporate Culture Make a Difference?**

There are at least three reasons why corporate culture might make a difference and hence why companies might expend so much effort and money to manipulate it. These differences include (1) better quality of life for employees, (2) greater company profitability, and (3) enhanced organizational survival. In my opinion, during times of labor shortages, quality of life will be a paramount concern and during times of national challenge, such as the Cold War or during or after a depression, organizational survival will rate most highly. But during times of unfettered competition, free market ethos, and intense individualism, the uppermost concern will be the profit maximization of the firm. (Currently, this latter situation seems to obtain.) Thus, what corporate culture transformation seeks to achieve would be influenced by the exigencies of the day.

Since these programs, as they have been applied to telecommunications companies, are so recent, it is not possible to answer the question whether they make a difference in terms of survival. Simply put, not enough time has passed for these programs to have had a reasonable effect on profitability or survival in a way that would be amenable to analysis with the crude measures available to researchers. And it is likely that other factors, such as dramatic reductions in personnel ("downsizing"), swamp any immediate effects that these programs might have on employee quality of life.

On the other hand, there is a noteworthy body of evidence from other industries that has relevance to the impact of corporate culture on organizational performance. But I have been

unable to locate anything of a quantitative nature concerning how programs affect employee performance. So while we can speculate about the extent to which different approaches to corporate culture change, and indeed that corporate cultures themselves directly contribute to these three outcomes, good comparative data are hard to obtain. At the same time, as noted by Gordon and DiTomaso, most empirical studies seek to link cultural patterns with particular organizational strategies or practices, and indeed there are some valuable results in this area. For instance, Dunn, Norburn, and Birle<sup>14</sup> orientation, as described by Peters and Waterman,<sup>15</sup> and effectiveness in marketing.

Still, studies that examine corporate culture characteristics relative to financial outcomes are rare. Among the exceptions are Hansen and Wernerfelt,<sup>16</sup> that emphasis on human resources and on goal accomplishment were important in predicting five-year returns on assets. Denison<sup>17</sup> organization's performance. Another example is a study by Gordon and DiTomaso of the insurance industry, which underwent deregulation and increased competition in the 1980s. Their results are noteworthy not only because of their focus on financial performance but also because the deregulation and subsequent organizational turmoil that affected the insurance industry parallels that which occurred in the telecommunications industry. They found that both the strength of the culture (measured as consistency) and the stress placed on adaptability were associated with better financial performance two to three years after the culture was measured.

Interestingly, in a comprehensive study, Kotter and Heskett<sup>18</sup> strength of two hundred firms' organizational culture with their economic performance. They found that over an eleven-year period strong cultures were associated with economic success. They attribute success to cultures that prevent the short-term interests of shareholders from overriding other concerns and that treat all "stakeholders" equally. They conclude, though, that the shareholder's interests are ultimately best served by such a strategy. "Only when managers care about the legitimate interests of shareholders do they strive to perform well economically over time, and in a competitive industry that is only possible when they take care of their customers, and in a competitive market that is only possible when they take care of those who serve customers -- employees."

In my personal judgment, I find that several factors increase the likelihood of the success of corporate culture programs. The first is that there needs to be a clear and sustained dedication to the program on the part of top and middle management. The sustained aspect is important, and the "vital organizational objective du jour" syndrome had best be avoided. There is also a big difference between verbal commitment and behavioral commitment as well as between initial commitment and commitment over the long run. Second, there need to be incentives for the employees to "buy into" the new system. They need to see that it will work well and work to their benefit, and this needs to be demonstrated quickly. Also valuable is making a concerted effort not to degrade the prior culture (since this in effect degrades the employees who were part of that culture as well). Third, employees should be informed in a straightforward, honest, and adult way what is going to be happening and told as well that the company's approach is a reasonable, reasoned way to proceed and that the entire enterprise has been thought through carefully. Finally, the culture change program should emphasize the essential humaneness of the approach and social concern of the company. While a few might not care what kind of company they work for, most seem to want to take pride in their organization and to know that they are leaving the world a better place for their efforts.





At the same time, the European companies will have to make a transition from the norms and behaviors that they held under the monopolistic setting to ones in which they can give comparable service as their competitors. The method that is likely to be chosen is probably going to be more akin to the incremental approach than to the extreme steps characteristic of some American companies.

Certainly there will be no lack of consulting companies, both U.S. and European, that will come forward to aggressively vend their wares. It will be difficult to know which of these companies are selling performance and which are selling hype. In addition, a question would arise whether their past successes with other companies, to the extent they even could be documented, were even due to their contribution at all rather than to some other party or even some unique circumstances. And finally there would be some question whether these skills are truly transferable to the environment of the European telco considering their services. By the same token, as I mentioned above, the advantages of gaining a fresh perspective from outsiders and having an independent source of recommendations cannot be underestimated. Further, the major European telcos seem to attend very carefully to what their colleagues in other European Community (E.C.) nations are doing. They will, therefore, imitate each other to a degree and thus gradually move along more or less in tandem. Or, put differently, some major European telcos view it as a big advantage to do things the same way as their counterparts in other countries, and so an imitation effect is likely to be quite strong.

On the other hand, with liberalization there will be many new entrants to the European market. New companies have the advantage of being able to create their corporate culture when they begin operations. The built-in resistance will be diminished, and rewards and behaviors can be structured to address immediate market exigencies rather than having to seek transitional ones, which will be the burden of the PTT's.

Finally, the notion of separate European and American telcos seems increasingly archaic. Instead, the telecommunications players of the future are likely to be truly global entities, with adjustments to local employment practices made where necessary. Within this context, corporate culture may become more fixated on seeking ways to integrate diverse practices and perspectives than on retooling a static, procedure-dominated culture into a dynamic, customer-focused one. The complexities of fast-moving, specialized markets will demand flexibility, and far-flung operations will require integration. These exigencies suggest a convergence on a style that incorporates many frames of reference and rapidly shifting skills.

If the American situation is a precursor to the European one, we can also expect a rapidly shifting potpourri of corporate partnerships, strategic alliances, spun-off subsidiary operations, and acquisitions of smaller companies in niche markets. This cacophonous admixture may make the corporation harder to manage. Certainly it will make it less amenable to centralized control from the top. Perhaps having some core values, a shared vocabulary, and a shared set of basic interoperable tools will allow the corporations to maximize the advantages of scale while minimizing the costs of ponderousness. Having a unified core culture, yet one that still respects local autonomy and initiative, may be a vital advantage. Such a culture would presumably respect diversity, individual autonomy, and responsibility and reward some risk-taking. It would be a culture where frames of reference shift rapidly, where conflicting ideas and interpretations can coexist, and where individual meaning and cultural identity will have a synthetic, artfully constructed quality. Rather than gradual transitions, which have characterized the telecommunications environment of the past, the environment of the future will be characterized



by sharp discontinuities in meaning and method: a postmodern corporate culture for a postmodern corporation.

### 7. Meaning for International Operations

Beyond the areas we have been discussing, namely, the internal and local dimensions of corporate culture and the implications of American activities for European telecommunications companies, lie questions concerning the relative regional and national differences in corporate culture. As a telecommunications business expands its global organizational connections, its corporate culture becomes ever more critical, especially as it begins interacting with distinctive regional cultures.

To begin with, business strategy often requires exploiting foreign markets and working with members of the host culture. Representatives of the global telecommunications company clearly must be able to provide an interface between local cultural practices and the culture that operates within the telco. Second, we are entering an era of cross-national alliances, which in effect also means bringing nationals of diverse cultures together in operations. Certainly, under these conditions the normal difficulties of communication are amplified. And without sensitivity to local cultural practices and incentives one can easily run afoul. As Noemy Wachtel<sup>19</sup> pointed out, literal translation is not sufficient for understanding what is going on in a host culture. She cited an experience where she and her AT&T colleagues were constantly having to explain and understand each side's way of doing business, independent of the substance of negotiations. From a cultural viewpoint, foreign entanglements are pregnant with possible conflicts and rewards.

As different cultures with distinct regional or national identities are brought into integrated working relationships, the "cultural baggage" of the larger cultures will inevitably conflict within the more limited corporate culture boundary. We have already had a foretaste of this in the United States where vast differences in regional culture were at one time subsumed within the AT&T monopoly. How, for instance, could the important but widely varying local norms regarding racial minority hiring be respected by a national company like AT&T? In the 1950s and early 1960s, these sometimes strict norms were often nearly the opposite in various state jurisdictions, and the practice in one state would be unacceptable to another. Yet all these companies were operating under the same corporate umbrella.

On a similar theme but different plane, I have been informed by Swedish employees of British Telecom (BT) that they discern a conflict between the hierarchical arrangements that are typical of BT and the more muted (or even explicitly downplayed) status distinctions typical of Swedish companies. Likewise, there may be some difficulties encountered in partnerships such as that between U.S. West and France Telecom. It will probably be the case that there will be points of interaction among those who are steeped in the free spirit of cowboys and the unbridled freshness of the frontier with those who are steeped in the tradition of Napoleon and the beaux arts. Doubtless many of these interactions will produce valuable synergies and enriching experiences. It will also probably be the case that without adequate preparation, different cultural norms and practices will impede communication and smooth coordination.

A strand running through many of my remarks is that while opinions abound, hard data that would let us create meaningful categories about approaches to changing cultures, or cultures themselves, are not available. Perhaps, then, a prudent next step would be to begin a social

mapping project. This project would attempt to delineate which aspects of major corporate and indigenous cultures are important, which aspects of these cultures might inherently lead to conflict, and how these cultural values and processes relate to corporate and strategic alliance effectiveness. Another approach would be to attempt to understand the determinants of effective culture change programs.

Culture is demonstrably important for achieving corporate performance and objectives with strategic partners. And the old cultures of many telcos no longer appear appropriate to the changed circumstances of the emerging business environment. To many corporate leaders, frustrated by slow-reacting bureaucracies, the far-reaching transformation promised by corporate culture reconstruction is compelling. But the key question in this is whether the explicit "cultural retooling" that is being practiced by some companies is appropriate and necessary. These programs are undeniably expensive, both in terms of their direct costs and in terms of time and emotional costs to employees. Are the gradual, calm approaches that are used by other companies preferable? Unfortunately, we do not have the direct evidence necessary to give a clear answer. But my personal observations do suggest that the manner in which these programs are implemented, regardless of the speed, makes a difference in their effectiveness.

There are those who argue that it is best to take quick action, including the instant dispatching of surplus employees. They say that if the procedure is handled more deliberately those who are going to be eliminated will poison the other employees and become daily reminders of the past problems and portents of a gloomy future. Supporters of this viewpoint hold that by getting rid of surplus workers immediately, and shocking the others into the "lessons of the new environment," they are acting humanely. It allows all parties to make personal and professional adjustments in light of the new reality, and dragging things out is, they argue, a disservice both to those who now must pursue other career options and those who must reorient their daily routines within the corporation.

On the other hand, there are others who say this approach, rather than being more humane, is actually the opposite. Advocates of the "gradualist" approach maintain that by giving employees time to make adjustments, they are allowing them to maintain their dignity even as they lose their jobs. And the lesson given to the remaining employees is that this is a caring company that will take care of its people insofar as that is possible. The unstated reciprocal point is that the corporation is derived from the employees' respect and dedication given in return for the company's care.

Which alternative is preferable at this point remains firmly lodged in the sphere of values, since as far as I have been able to determine, there has been no systematic evaluation that would allow us to definitively answer this question. Still, beyond the question of internal company management, these personnel retention and acculturation decisions have ramifications for the larger business environment within which these companies work. Thus, treatment of workers in a semiregulated industry can be an object of interest for both governmental bodies and labor unions. It also has implications for the recruitment and retention of the most talented workers. And, in some very rare cases, these decisions have become the concerns of very high levels of government.

In conclusion, corporate culture change programs have significance not only for the companies and employees directly involved in them: the programs chosen by companies can spill over into the political and public arenas, rebounding in ways that lead to governmental expressions of concern that directly intervene into internal corporate matters. As a consequence,



such corporate culture change programs need to be conceived with judiciousness and prudence so that they have the potential to achieve results that will help the corporation achieve success while improving the lot of its employees.

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## Endnotes

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