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Where Are Organizational Cultures Going?

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Rhythms of change

This section of the Handbook focuses on the future . . . a topic that holds endless fascination for human beings. Many of the discussions in the popular media speculate about future events. Academics achieve wide fame by offering imaginative predictions about future wonders or disasters. Corporations pay large fees to obtain forecasts about economic trends and societal changes.

The future is also a topic on which no one has demonstrated reliable expertise. Research about forecasting indicates that a prediction is almost certain to be right if it says that trends will continue for a few more time periods, and that a prediction is almost certain to very wrong if it says that trends will continue for many time periods. Also almost certain to be wrong are attempts to predict the times (turning points) when trends will shift abruptly.

The chapters in this section argue with amazing consistency that organizational cultures are going to be focal determinants of success: The organizations that do well in the future are those that develop cultures that are appropriate for their challenges.

Like most social phenomena, organizational cultures normally change slowly and current trends tend to persist. As well, organizational cultures also have properties that make them difficult to predict over long periods. Like prices, opinions, and governments, organizational cultures are determined by social construction, by interactions between people. People tell each other stories, and they negotiate with each other about the effectiveness and legitimacy of values, beliefs, and rituals. Although these interactions generally produce small incremental changes in organizational cultures, they do sometimes produce large dramatic changes.

Organizational cultures often stimulate changes in themselves. Cultures not only foster agreement and cohesion within organizations, they also create differentiation and conflict among organizational members (Martin, 1992). Cultures almost always endorse the values and beliefs of some subgroups while ignoring the values and beliefs of other subgroups. The devalued subgroups thus gain incentive to protest or oppose. Likewise, as cultures clarify some beliefs and rituals, they also create ambiguity about the beliefs and rituals that they ignore. This ambiguity harbors opportunities for innovation or deviance. One obvious example is the Protestant Reformation, which occurred because dissident members of the Roman Catholic

Church believed that their Church was allowing improper rituals and accommodating improper beliefs. When the Church ignored the dissidents' protests, they founded new churches that were more in accord with their beliefs. Another example is the revolution that took place in the Free University of Berlin during the late 1960s. In this case, students asserted that professors had been allowing students insufficient voice in the control of the university and that curricula reflected professors' conservative political views.

A study by Jönsson and Lundin (1977) suggests that social construction produces waves of enthusiasm for successive modalities. Jönsson and Lundin observed small Swedish firms as they developed over time. The members of the firms showed increasing enthusiasm for a specific idea as more and more members understood the idea and saw its merits. But eventually, the idea's limitations became visible and enthusiasm for it waned. Eventually, a new idea would appear and begin to gather support.

As a product of social construction, an organization's culture is not a demonstrable fact and rarely is there consensus about its character. Organizations leaders often try to influence the definitions of culture that prevail in their organizations (Kunda, 1992). For instance, Hewlett Packard has de-emphasized rules and hierarchical controls and has sought to enlist members' strong commitment to its corporate mission statement, whereas Glacier Metals de-emphasized members' responsibility for corporate goals and specified their roles in very detailed documents (Brown, 1960; http://www.hp.com/abouthp/corpobj.html). These differing concepts of desirable culture diffuse geographically and evolve over time, as organizational members explore different ideas and address different issues. Thus, Japan's economic success during the 1960s and 1970s induced many North American and European companies to try some Japanese ideas about organizations (Ouchi, 1981; Nonaka and Takeuchi, 1995).

Some contemporary trends in the ways people interact today, and how they will interact tomorrow, challenge current knowledge about organizational cultures. Changes are occurring in all of the main components of culture. One of the clearest trends has been a decreasing emphasis on traditions and hierarchical status as determinants of proper action and an increasing emphasis on markets as determinants of proper action (Williamson, 1975). Rather than references to traditions or authority, references to profitability and productivity support the rationales of issues such as corporate governance, work-team designs, and compensation schemes. A second trend, coupled with the first, seems to have been rising cynicism with regard to organizational socialization programs, organizational ceremonies and the statements of hierarchical superiors (Kunda, 1992). For instance, employees often view charismatic leadership as paternalism rather than as strong vision and unity of direction. This latter trend may be related to rising educational levels among workers and to the layoffs that have accompanied market-driven events such as acquisitions and market-justified fads such as downsizing and re-engineering.

Plus c'est la même chose, plus ça change

A few issues derive from organizations' hierarchical structures and they have been pervasive in organizations in very diverse societies and as far back as written evidence

extends (Rindova & Starbuck in Pugh's festschrift). Everyone who lives or works in a hierarchical structure has to confront issues of dominance and subordination. Of course, the people on higher levels generally find their roles more satisfying than do those lower down. One of the very oldest documents is a Mesopotamian shard that says, "There are men who support wives; there are men who support children. Kings are men who do not even support themselves." But it may well be that superiors spend more of their time worrying about the issues that arise from hierarchies. In particular, superiors tend to pay much attention to methods of motivation and surveillance: How can they induce subordinates to comply? How can they assure themselves that subordinates are behaving as desired?

What makes these issues of hierarchy especially interesting is that (a) they present intractable "problems" and yet (b) organizations keep trying to "solve" these problems. The problems are intractable because they arise from the very fact that organizations are organized; organizations place restraints on the actions of their members. Even highly egalitarian organizations, where group discussions determine goals and methods, sometimes compel members to perform tasks they dislike. To alleviate these problems, organizations have to become less organized, less what they are supposed to be. Thus, organizations are intrinsically paradoxical.

It takes no special insight to predict that future organizations will try to solve the problems of hierarchy. Because people do not happily accept the restraints imposed by organizations, they are endlessly seeking ways to mitigate them. Superiors want to receive respect and admiration as well as obedience; subordinates want higher status and more autonomy. One result has been a continuing parade of management fads and fashions, each promising to "solve" the problems of hierarchy, and each bringing disappointment when people realize that the problems still exist. The "friendly supervision" of the 1930s was replaced by "democratic management," which gave way to Management-By-Objectives and "considerate leadership," which were replaced by Quality Circles, which was generalized to "team building" during the 1990s.

Organizational culture has consistently played a central role in these fashionable solutions. The solutions have attempted to alter organizational cultures so as to assuage various symptoms. But the cultural changes have been rather superficial, and one effect has been to make organizational cultures themselves rather superficial. The solution attempts may also have elicited cynicism about the power and meaningfulness of organizational culture.

Because organizational cultures tend to be rather inertial and because subcultures tend to develop autonomously, they tend to cause problems for temporary organizations. From 1995 to 1998, Electronic Data Systems built a temporary organization to organize the information system and ticketing for the World Cup. More than 40% of computer engineers employed in this temporary organization were volunteers such as retired computer scientists and young trainees. Teambuilding involved social events that brought together the regular employees and the volunteers. Then, after the World Cup concluded in 1998, the temporary organization was dissolved. One result was that the managers of this temporary organization needed psychological support for six months because they suffered from feelings of abandonment and chronic depression. They had put all their energy and commitment into an organization that had

disappeared as soon as it was deemed no longer necessary. As organizations rely more and more on “disposable” and “project driven” subcultures, they create similar problems within themselves.

There have also been efforts to employ technology make hierarchies less visible or less personal. The mass-production conveyor affords one example; just-in-time inventories afford another. Many firms monitor their employees’ uses of e-mail and Internet access. The ensuing chapter by Harrison McKnight and Jane Webster, "Collaborative Insight or Privacy Invasion?" discusses the use of telecommunications technology to coordinate group work, especially collaboration between colleagues who are separated by large distances. McKnight and Webster point out that employees’ reactions to awareness systems depends on the climate of trust within their organization. Organizations that want to install awareness systems need to strengthen their trust climates first, or else their employees will perceive the new technology invading their privacy.

Persistent Trends in Organizations' Environments

Organizations are going to confront many external pressures for change over the next decades. Most of these pressures do not yet exist and are impossible to foresee. However, it does seem possible to identify a few trends in population and technology that are likely to persist.

Population trends tend to be inertial because birth rates and death rates change slowly. However, regions exhibit large differences in birth and death rates. Currently, birth rates in Africa are nearly three times those in North America and Europe. As a result, the United Nations is forecasting large changes in regional populations by 2050, as shown in Figure 1. According to these forecasts, the populations of Europe, Japan, and North America will increase very little, whereas the populations of South America and Asia will double, and Africa’s population will more than triple. (The UN made these forecasts before there was publicity about the AIDS epidemic.)

One implication of these population trends is that almost all of the new jobs will be created outside Europe, Japan, and North America. Indeed, from 1985-2000, roughly 600 million new jobs were created worldwide and only five percent of these jobs were created in Europe, Japan, and North America. Three consequences are already apparent. First, increasing numbers of people are seeking to migrate from developing to developed countries. As time passes, these pressures are likely to escalate. Second, many new organizations are being formed in the regions where workers are readily available. Transoceanic travel more than tripled from 1985 to 1998; transoceanic communications multiplied 28 times from 1986 to 1997. Third, organizations that have headquarters in the developed countries are globalizing. Not only are multinational firms opening new facilities in the developing regions, these firms are internationalizing their executive ranks and they are starting to deny that they have specific national identities.

These population changes are being reinforced by changes in the distributions of economic activities. Throughout the twentieth century, the more developed countries shifted employment from manufacturing and farming and toward services. Many of the service jobs, especially in the latter part of the century, emphasized knowledge or

expertise more than physical labor. The developing countries have been shifting employment from farming toward manufacturing, but they still devote much labor to farming.

The predicted population increases and economic shifts appear likely to accentuate the differences between the rich and the poor, the educated and the uneducated. Knowledge-based work requires more education and pays higher wages than does physical labor. Figure 2 shows forecasts by the World Bank: These forecasts say that people in upper-income or upper-middle-income nations will fall from 24% to 18%, whereas people in low-income nations will rise from 59% to 64%. Wars grow more prevalent as more people struggle to share limited resources, as has already been happening in Indonesia and central Africa. Globalizing companies will tend to avoid regions that have the warfare, the regions with very fast population growths. Thus, the most disadvantaged regions may become even poorer.

Globalization and migration pressure firms to encompass diverse cultures, customs, religions, and languages. In addition, changing expectations about gender and aging are pressing organizations to accommodate females and older people. In the year 2000, eighty percent of US women between 25 and 54 years of age are employed and the other twenty percent are unemployed only temporarily. In the US, the years between 1970 and 1990 quadrupled the numbers of women, African Americans, and Hispanics in management positions.The ensuing chapter "In diversity is there strength?" by Narayan Pant and Kulwant Singh, considers the implications of increasing intraorganizational diversity. They argue that organizations are going to incorporate more and more diversity and that this diversity will have both positive and negative effects on organizational effectiveness. One result, they predict, will be that organizations with simple structures are going to find survival difficult.

Rising educational levels are making organizations flatter and middle management less valuable. With more education, workers not only need less supervision, they become more resistant to direct supervision and more skeptical about hierarchical authority. In 1990, the average American manager supervised seven people. This number is expected to triple by 2010. Of course, resistance to supervision raises issues of motivation and surveillance. Firms have been dealing with these issues by substituting work teams for supervisors. Teams supervise each other even more closely than do hierarchies, yet educated workers generally find teamwork less objectionable (Katzenbach and Smith, 1992). It may also be that organizations will become more accepting of antithetical processes and diversity as components of teamwork: Many professional firms are advocating that their members' heterogeneity fosters organizational cultures that support new ideas and flexibility.

Technology trends As Figure 3 shows, the numbers of transistors on a single microprocessor chip has been growing exponentially and forecasts say this doubling will continue for at least the next decade. This growth has meant that computation speed has been doubling every 18 months, the amount of computation done with one unit of energy has been increasing about 30% per annum, the cost of circuitry has been decreasing 40% per annum for 40 years, and the sizes of memories have been increasing more than 40% per annum. Communication capacities have also been growing even more rapidly. The capacities of optical fibers have been doubling

yearly, and the capacity for wireless communications has been doubling every nine months.

Although it may appear that computers and modern communications devices are everywhere, their impacts have only begun. Figure 4 shows estimates of the percentages of the world population that were using computers, e-mail, or the Internet between 1990 and 1996. Of course, the Internet was a very new concept in 1996 and it is concentrated in North America and Europe. In large firms, much intra-firm communication occurs via Intranets, which only began to be introduced in 1998.

These technological changes are having effects both within and between organizations. First, organizations have access to more data more quickly, which creates opportunities for surveillance from afar. The practice of "competitive intelligence" is becoming easier and more productive. Second, supervisors can monitor the activities of subordinates who are distant, organizations can spread geographically, and organizations can safely become more interdependent without actually merging. The boundaries between organizations are growing weaker, and cooperative relations between organizations are growing more complex. Third, communications are replacing physical travel and direct supervision. This tends to substitute workgroups hierarchies, and it is fostering telework.

The substitution of workgroups for hierarchies is illustrated by an experiment that began in 1999. STMicroelectronics is one of the ten largest makers of semiconductors with 29,000 employees in Europe, North America, and Asia. In 1999, the management of STMicroelectronics decided to facilitate the sharing of knowledge by encouraging employees to create on-line communities. These communities were intended to introduce flexibility and to cut across hierarchical chains. One result was that managers operating within the hierarchy felt that they were being by-passed. Also, STMicroelectronics provided a software tool that assumed that each community might include (a) facilitators, (b) "authors" who could write messages, (c) "readers" who could only read messages, and (d) "guests" who could only view some public documents but could not participate in discussions or read all documents. The people designated as "facilitators" were senior managers, so they gained influence while many lower-level managers lost influence (Lauféron, 1999).

The ensuing chapter "Culture In-The-Making in Telework Settings" by Roger Dunbar and Raghu Garud considers the implications of telecommuting for organizational cultures. Dunbar and Garud argue that telework cultures use values, norms, behaviors and symbols mainly to support work performance rather than stable social relations and shared identities. As a result, employees exhibit more diversity, and they regard norms of interaction being subject to continuing negotiation.

Employees are also using telecommunications to protest management practices, and they are using the Internet to unite employees who are far apart and to enlist support from external constituents. For instance, Ubi Soft is a software firm with over 1000 employees in 16 countries. As a French company, it must conform to French laws regarding employment practices. During 1998, young employees of Ubi Soft began to express their unhappiness about the "archaic methods" and "paternalism" of the top management in their firm. Among other complaints, they said that their firm had no personnel department and that management had intentionally kept each workgroup

small enough to exempt the company from the legal requirement to allow employees to form a union. In mid December 1998, six anonymous employees created a website for a "virtual labor union" named Ubi Free (http://www.multimania.com/ubifree/Index2.htm). They used this website to communicate with the other employees and to publicize their complaints about their employer. The website attracted considerable attention from the French press, and especially from on-line periodicals. Initially, the president of Ubi Soft refused to respond to this protest and he declined to be interviewed by the press. However, by early February, the firm had made substantial changes and Ubi Free declared victory. The creators of Ubi Free remained anonymous throughout the entire process.

The ensuing chapter by Bo Hedberg and Christian Maravelias, "Organizational Culture and Imaginary Organizations" discusses the issues posed by interfirm coalitions and firms that have many free-lance individual collaborators. Imaginary organizations pose issues of dominance, governance, and equitable profit sharing. Hedberg and Maravelias argue that the success of imaginary organizations depends on their leaders abilities to build trust, to foster respect, and to make exchange mechanisms transparent. These are culture-building tasks, so culture becomes the focal point of leadership skill.

With distant work and tele-surveillance, belonging to an "organization" is more a contractual agreement than a psychological and emotive involvement. Collateral with the changes in communications and computing have been changes in modal employment relations. Instead of open-ended and nonspecific employment relations, more and more workers now have detailed contracts that are limited in time and that impose specific requirements on both workers and employers. Insofar as they define desired outputs and time schedules, contracts make it easier to manage relationships that span long distances and several time zones. Hedberg and Holmqvist (2000) have predicted that the world economy is making a dramatic reorientation towards an "economy of volunteers." In this envisaged economy, transaction cost economics elicit involvement and compliance by technical experts who dislike organizational hierarchies and entrenched authority. Project-oriented teams of these technical experts incorporate diverse participants, some of whom hold temporary contracts with the organization while others hold long-term membership. As a result, these teams might not react positively to an imposed "organizational culture." The project-oriented teams need to combine cultural elements from their members' different backgrounds.

In spatially dispersed organizations, the rules for cooperation and coordination tend to become the essential skeleton of the organization itself. The extended members do not look upon their organization as a physical realm, but as a set of conventions that facilitate workflows and efficient action. Institutional trust is not founded on organizational hierarchies, but on the perceived productivity of cooperative relations. This means that organizational cultures become more central to organizational effectiveness, for it is cultures that frame the rules for cooperation and coordination and the processes of social construction that evaluate cooperative relations.

Also in spatially dispersed organizations, diversity rises. Members have less of the types of socialization and homogenization that depend on face-to-face interaction, and they have greater latitude for individuality, regionalism, and nationality. This decreases the importance of common values, conformity to norms, and obedience to

direct supervisors, but cooperation is still possible as long as members have convergent aspirations and visions. This implies that organizational cultures need to emphasize aspirations and visions rather than face-to-face socialization and homogeneity of values and norms.

The members of spatially distributed organizations tend to seek social appreciation in communities that spread far beyond the borders of their organizations. They seek appreciation within networks of friends and relatives, and they form subcultures that spread across several organizations and that may be more important to them than their focal organization. These communities encompass more aspects of their lives than the strict duties of their work contracts so work and leisure infiltrate each other. It is difficult to articulate dissents and to organize revolutions against amorphous communities that are not distinct stable social systems, and community members can easily escape imprisonment in a single culture by moving to alternative communities. Thus, these community cultures are less prone than organizational cultures to stimulate opposition to themselves.

Fasten your seat belts and hold onto your hats

We may well be witnessing a significant inversion in the paradigm organizations need to follow in order to survive. The twentieth-century paradigm said that strategy should come first: The desired strategy should determine organizational structure, and culture is largely a consequence of structure (Chandler, 1966). The twenty-first century paradigm may be that organizational culture should come first: The desired culture should determine organizational structure, and strategy is largely a consequence of structure.

Certainly, there are signs that some twentieth-century organizations are finding the pace of change too rapid and the New Economy mysterious. In high-tech, knowledge-based industries, "junior" personnel may have much more expertise than their hierarchical superiors and hence they may challenge their superiors' authority. Young experts may also find their roles more satisfying than do their superiors, who are struggling to control a world they know they do not understand. Young experts may also be able to leave their employers and to start new ventures. People in the lower levels (i.e. in the new small ventures and start-ups) find their roles more satisfying than those of people in the upper level of the organization.

Anticipating such problems, some firms are maintaining separation between more traditional organizations and high-tech new enterprises. For example, when the French company Vivendi acquired Cendant Software in July 1999, Jean Marie Messier, the CEO of the Vivendi, sent executive scouts to "assess the R&D portfolio in games and entertainment" of Cendant. The first contacts with Cendant's authors and creative staffs were awkward for the institutionally trained French executives. They came back to their Parisian headquarters expressing feelings of disorientation and puzzlement. The R&D done for Cendant's entertainment software was quite unlike that done for Vivendi's past products. Messier decided that Cendant had better remain an autonomous subsidiary.

In this turn-of-the-century period, the old and new are coexisting and creating inconsistencies. The newer organizational forms are using technologies that link

people working in different cultures and settings to pursue the shared goals. Meanwhile, more traditional firms are adopting temporary forms to deal with new market conditions. The chapters in this section discuss some of these inconsistencies, as structures and strategies come to rely more and more on the coherence and togetherness created by cultures

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