

# Organisational Culture – a Comparison of Naspers and Tencent

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# Declaration

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

**Signature:** .....

**Date:** .....

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# Abstract

Organisational culture has become a popular topic since more and more companies have joined the competition of world economy in the information era. It has also become an important method to support a company's strategy. Products such as "hardware" no longer provide the main focus when companies strive to gain their markets. It has become accepted that culture, which plays a role as part of the company's "software", functions equally well as, and sometimes even more efficiently than products. The aim of this research study was to apply the theory to practice by answering the question: In the real organisation's operation, which cultural attributes embody the value layer of organisational culture?

This research study focuses primarily on Schein's model of organisational culture. This model is applied to the case studies of Naspers' culture and of Tencent's culture. The result of the application of Schein's model to these two companies leads to a comparison of their organisational culture.

In the end, my own analysis is discussed based on the comparison. From this part, innovation, risk taking, attention to detail, outcome orientation, people orientation, team orientation, customer orientation, aggressiveness, stability and easy-goingness are shown to be the cultural attributes that embody values in a real organisation's operation.

# Opsomming

Organisasiekultuur het 'n populêre onderwerp geword sedert al meer maatskappye deel geword het van die mededinging van die wêreld ekonomie in die inligtingstydvak. Dit het ook 'n belangrike metode geword om 'n maatskappy se strategie te ondersteun. Produkte soos “hardeware” verskaf nie meer die hoofokus wanneer maatskappye daarna streef om hulle markte te bekom nie. Dit word nou aanvaar dat kultuur, wat 'n rol speel as deel van die maatskappy se “sagteware”, ewe goed as produkte funksioneer, en soms selfs meer doeltreffend. Die mikpunt van hierdie navorsingstudie was om teorie op die praktyk toe te pas deur die volgende vraag te beantwoord: Watter kulturele attribute beliggaam die waardelaag van organisasiekultuur in die werking van die ware organisasie?

Hierdie navorsingstudie fokus primêr op Schein se model van organisasiekultuur. Hierdie model word toegepas op gevallestudies van die kultuur van Naspers en Tencent. Die resultaat van die toepassing van Schein se model op hierdie twee maatskappye lei tot 'n vergelyking van hulle organisasiekultuur.

Ten slotte word my eie analise bespreek, gebaseer op die vergelyking. In hierdie deel word aangetoon dat innovasie, die neem van risiko's, aandag aan detail, resultaat-georiënteerdheid, mens-georiënteerdheid, span-oriëntasie, kliënt-oriëntasie, aggressiwiteit, stabiliteit en onbesorgdheid die kulturele attribute is wat die waardes in 'n ware organisasie se werking beliggaam.

# Dedication

This thesis is dedicated to my parents.

I would like to thank my trusted advisors, friends and mentors over the years for their inspiration and support in my life and the completion of this project.

Special thanks are due to:

Prof. Johann Kinghorn

Mr. Daan Botha

Dr. George Coetzee

Ms. Hester Honey

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# Chapter 1

## Introduction

### **1.1 Background**

In the information society, more and more companies are taking part in the world market. They need to survive in the competitive environment; they find partners in order to support and strengthen themselves; they try their best to find a unique position to profit as much as possible. But being an international company does not necessarily mean being a successful company. Enterprises, which followed the tide blindly, have drowned one after another. Therefore, a systematic and scientific management model becomes a vital part to an enterprise.

In the meanwhile, in the broad world of organisational management, the management of organisational culture is mainly becoming focused and taken as a weapon in a company's survival and development. Schein (1990) says: "the unique and essential function of management is manipulation of culture".

Organisational culture is one of the major issues in academic research and education, in organisation theory as well as in management practice. There are good reasons for this, says Alvesson (2002): the cultural dimension is central to all aspects of organisational life. Even in those organisations where cultural issues receive little explicit attention, how people in a company think, feel, value and act are guided by ideas, meanings and beliefs of a cultural (socially shared) nature; whether managers think that culture is too soft or too complicated to bother about or whether there is no unique corporate culture does not reduce the significance of culture. Senior organisational members are always, in one way or another, "managing culture"—underscoring what is important and what is less so and framing how the corporate world should be understood. Organisations practicing intensive "members management" may develop and reproduce a culture celebrating performance indicators and rituals around the handling of these. Corporate culture receives a lot of attention and is considered as crucial in most contemporary organisations. However, even in those cases where top managers have a strong awareness of the significance of culture, there is often a lack of a deeper understanding of how people and

organisations function in terms of culture. Culture is as significant and complex as it is difficult to understand and ‘use’ in a thoughtful way.

Culture matters a great deal. Toxic cultures can kill a company loaded with money and talent. Positive cultures can make a less endowed company grow. In organisations, culture is always about people. When the culture remains toxic and the climate negative, talented employees, who are always in demand, will go elsewhere. Similarly, good workers will choose to work for a company with a healthy organisational culture. Consequently, organisations with a toxic culture gradually bleed to death.

Therefore, it is clear that today’s organisational management is not only about “hard”, quantifiable, technical skills, but is also turning to “soft” skills, such as empathy, communication, validation, conflict management, and community building. As a Master’s student, I am very interested to do in-depth research on organisational culture, and I would also like to interpret the theory into a practical way by applying it to the operation of real organisations. The research study mainly consists of two parts: a literature study of organisational culture and a model interpretation based on a case study. For the first part, I conducted an intensive literature study on organisational culture by collecting quantitative and qualitative materials and investigating this material. Highlighted, in this part, is Schein’s organisational culture model and his relevant theories. The second part focuses on interpreting Schein’s model by means of a comparative case study between Naspers and Tencent, which are, respectively, from South Africa and China, and have ties with each other in the media industry. The two companies’ second layer of culture will then be discussed, interpreted and compared according to Schein’s model. Finally, to conclude my research study, I shall investigate the culture attributes, which embody the value layer in real organisation’s operation, also according to Schein’s culture model.

## ***1.2 Research problem***

Organisational culture is regarded as the “software” of the company’s operational system. Culture management is a crucial part of organisational management. From literature researches on culture, it is recognised that there are three levels of organisational culture: artefacts and

creations, values and basic assumptions. These three levels range from the very tangible overt manifestations that one can see and feel to the deeply embedded, unconscious, basic assumptions, which are defined as the essence of culture. In between these layers are various espoused beliefs, values, norms, and rules of behaviour, which is referred to as the second- level values. As one of the features of this level is that it is open to discussion and changeable, values are more likely to be studied and applied; it is also usually used as a way to differentiate between culture from one organisation to another.

That is why the second- layer values from Schein's model were chosen as the subject of my research study. It is not difficult to find the relevant theory of organisational culture. But the final purpose of study is to apply it to a real life case. Can the theory be useful to the real company's operation? How can it be applied properly? What will the result be afterwards? These questions inspire my great interest in finding out some practical things from theories.

The whole research study is therefore focused on answering this question: In the real organisation's operation, which cultural attributes embody the value layer of organisational culture? The comparative study of two companies, will lead to my own analysis.

### ***1.3 Hypothesis***

The aim of the research study is to apply the theory into practise through the literature study. Therefore, the following hypothesis is inferred: In a real organisation's operation, the cultural attributes that embody values are: innovation, risk taking, attention to detail, outcome orientation, people orientation, team orientation, customer orientation, aggressiveness, stability and easy-goingness.

### ***1.4 Methodology***

Against the above introduction, the present study was conducted with the following techniques as method for a research design:

#### **1.4.1 Literature study**

Literature study is the study that provides an overview of scholarship in a certain discipline through an analysis of trends and debates. The literature study takes up more than half of the whole thesis. It provides the qualitative and quantitative theories about the research topic. At the level of studying for Master's degree, the goal of the research is to do an intensive study on organisational culture and interpret the theory. This theory is then applied to a case study. Studying the relevant literature builds a solid foundation for the interpretation and comparison that follow.

#### **1.4.2 Case study**

A case study is a study that is usually qualitative in nature and aims to provide an in-depth description of a small number of cases. When the research work arrives at the second step, i.e. when the theories have to be utilised in practice by interpretation and comparison between two companies, the case study makes the theory more concrete and better understood.

#### **1.4.3 The use of documentation**

Documentation such as journal articles, newspaper and media reports, and information available on the internet was collected and integrated with the data already obtained. Information on the two organisations' culture was gathered from the statements presented on their websites. The documentary sources were compared with data already gathered, and then concretized with Schein's model.

#### **1.4.4 Interview**

An interview conducted about culture with Dr George Coetzee of Naspers added more information from an insider's point of view.

#### **1.4.5 Comparative study**

Comparative studies focus on the similarities and especially differences between groups of units of analysis. Such "objects" can include individual organisations, cultures, countries, societies, institutions and even individuals. In the present study, the comparative method is used to compare a South African company and a Chinese company's culture, from which similarities and differences were identified and effective factors were summarised.

## **1.5 Conclusion**

What is the product of my research study, then?

This research study is combined with a literature study and the application of a model, as explained above. The main results are: firstly, the interpretation of Schein's model by means of the case study; secondly, a comparison of the two companies based on the interpretation of the model; and finally, yet importantly, the identification, from the comparison, of some important culture attributes in the operation of real organisations, which affect the performance of organisations.

# Chapter 2

## Literature Study

### ***2.1 Defining culture***

Culture typically includes the totality of socially transmitted behaviours, beliefs, attitudes, human thoughts and creations. It affects every aspect of our lives– the way we look at things, the way we act and react and how we express our feelings.

The main focus of my research study is on organisational culture, as one of the members in the “culture family”. Therefore an understanding of culture also provides us with a foundation for understanding organisational culture.

The Collins English Dictionary defines culture as “the total of the inherited ideas, beliefs, and knowledge, which constitute the shared bases of social action.”<sup>1</sup> Culture is also viewed and defined from different angles by different researchers. Honderich says “The word (culture) may be used in a wide sense to describe all aspects characteristic of a particular form of human life, or in a narrow sense to denote only the system of values implicit in it. Understanding culture in the wide sense is one typical concern of historical, anthropological, and sociological studies. The study of culture in the narrow sense is the province of the humanities, whose aim is to interpret and transmit to future generations the system of values in terms of which participants in a form of life find meaning and purpose. In either of its senses, culture may be thought of as a causal agent that affects the evolutionary process by uniquely human means. For it permits the self-conscious evaluation of human possibilities in the light of a system of values that reflect prevailing ideals about what human life ought to be. Culture is thus an indispensable device for increasing human control over the direction in which our species and its organized society changes.”<sup>2</sup> Lewis views culture as “the customs, beliefs, art and all the other products of human thought made by a particular group of people at a particular time”<sup>3</sup>. Hofstede describes culture as “the collective

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<sup>1</sup> Neal, M. 1998. *The Culture Factor: Cross-National Management and the Foreign Venture*. Pxxiii.

<sup>2</sup> *The Oxford Companion to Philosophy*- Edited by Ted Honderich.

<sup>3</sup> Neal, M. 1998. *The Culture Factor: Cross-National Management and the Foreign Venture*. Pxxiii.

programming of mind that distinguishes the members of one human group from another.”<sup>4</sup> Trompenaars analyses culture briefly as “a shared system of meanings”.<sup>5</sup> Czarniawska-Joerges says, “In the most general sense, culture can be viewed as a bubble (of meaning) covering the world, a bubble that we both create and live within. Its film covers everything that we turn our eye to; it is as stated in the title, the medium of (social) life.”<sup>6</sup> Bates comments, “It is culture that gives meaning to life. The beliefs, languages, rituals, knowledge, conventions, courtesies, and artefacts – in short the cultural baggage of any group, are the resources from which the individual and social identities are constructed. They provide the framework upon which individuals construct their understanding of the world and of themselves.”<sup>7</sup>

These varied definitions of culture show that culture is generally regarded as meaning which generates from human society. It furnishes people’s ideas about right and wrong; it influences their behaviours. It also shows that culture is viewed and defined differently by different groups or societies, as it is culture that reveals how people differ from one group to another.

## **2.2 National culture**

Then why it is necessary to discuss national culture before coming to the notion of organisational culture? Harrison and Huntington (2000) have provided compelling evidence that national cultures and values shape human progress and influence economic prosperity. This phenomenon was also represented in the organisations’ operation. For example, Asian values of personal relationships and family ties in their organisations used to serve East and Southeast Asia well for over three decades for their economic development. Therefore organisational culture cannot be discussed without considering the impact of the national culture involved. The following study of national culture will lead to organisational culture.

A national culture is a set of values, attitudes, beliefs, and norms shared by a majority of the inhabitants of a country. Those become embodied in the laws and regulations of the society, as well as in the generally accepted norms of the country’s social system. People in a society learn

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<sup>4</sup> Neal, M. 1998. *The Culture Factor: Cross-National Management and the Foreign Venture*. Pxiii.

<sup>5</sup> Neal, M. 1998. *The Culture Factor: Cross-National Management and the Foreign Venture*. Pxiii.

<sup>6</sup> Frost, P. J, Moore, L. F, Lundberg, C. C. and Martin, J. 1991. *Reframing Organizational Culture*.P287.

<sup>7</sup> Sergiovanni, T. J. and Corbally, J. E. 1986. *Leadership and Organizational culture*. P262.

what to notice and what not to notice, how to behave with each other, and how to handle responsibility, success, and failure. In most countries, a dominant culture exists.<sup>8</sup>

Organisations operate within a national setting. In that sense they are subject to the same cultural forces that act upon every other aspect of life in that situation. The majority of employees in an organisation will come from the national setting bringing their culture with them into the organisation. It would be natural to expect, therefore, that the culture of an organisation would be based largely on the predominant local culture. That however, is an assumption that proves very difficult to refute or substantiate in practice. This is as the result of a number of factors acting upon any given situation. For example, within any culture there exists sub- and countercultures that introduce variety, there is the growing movement of people around the world, which introduces cultural diversity into any particular setting. There is also the growing globalisation of business which introduces another element of variety into the cultural milieu.<sup>9</sup>

The convergence perspective on the relationship between national and organisational culture suggests that the national culture is subservient within an organisation. This implies that organisations are able to identify and separate culture into two distinct forms (internal and external), and also, that they are able to manage the internal form as necessary to support business objectives as distinct from the surrounding national culture. In practice, this view suggests that employees leave their social culture (as it might be described) at the door when they arrive at work and automatically and naturally adopt the cultural values of the workplace without difficulty.<sup>10</sup>

The divergent view suggests that national culture takes preference and that organisational culture will adapt to local cultural patterns (Lammers and Hickson, 1979). This view suggests that it is organisations that need to adapt to local circumstances, otherwise the corporate culture will be out of synchronisation with the local norms and will be ignored or even create problems. It is not difficult to envisage that both views could be correct in appropriate circumstances. For example, large international organisations that operate according to centralised styles could well display

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<sup>8</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. P58.

<sup>9</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P604.

<sup>10</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P604.

convergence characteristics, while, conversely, organisations predominantly based in a specific country are more likely to demonstrate divergence.<sup>11</sup>

It is also possible that there will be a middle line– that organisational culture will frequently contain elements of national and company preference. In other words, organizational culture will adapt to meet the needs of both head office and local preferences.<sup>12</sup>

### **2.2.1 Hofstede's perspectives**

Hofstede (1980, 1983) carried out an extensive series of studies into the subject of culture over some 13 years. He defines culture as mental programming on the basis that it predisposes individuals to particular ways of thinking, perceiving and behaving. That is not to say that everyone within a particular culture is identical in the way in which they behave. It does imply, however, that there is a tendency to produce similar patterns of behaviour. Hofstede developed four dimensions of culture from a factor analysis of his questionnaire-based research data:

***Individualism-collectivism:*** This factor relates to the degree of integration between the individuals in a society. At one extreme, individuals concentrate on looking after their own interests and those of their family. At the other extreme, there are societies that emphasise collective responsibility to the extended family and the community.

***Power distance:*** The degree of centralisation of authority and autocratic leadership. The higher the levels of concentration of power in a few people at the top, the higher the power distance score. In those locations with a low power distance score there is a closer link between those with power and 'ordinary' people.

***Uncertainty avoidance:*** This is described in terms of how the members of a society deal with uncertainty. Everyone lives in the present; the future remains uncertain and unpredictable, as does the potential behaviour of other people. Consequently, ways need to be found to limit the potentially negative effects of this situation. Societies in which individuals are relatively secure do not feel threatened by the views of others and tend to take risk in their stride. These Hofstede classified as weak in terms of uncertainty avoidance. In strong

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<sup>11</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P606.

<sup>12</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P606.

uncertainty avoidance societies reliance is placed on policies, procedures and institutions in an attempt to control and minimise the effects of risk.

***Masculinity-femininity:*** The division of activity within a society can be based on the sex of the individual or it can be gender free. Those societies that Hofstede classified as “masculine” displayed a high degree of social sex role division. In other words, activity tended to be gender based, stressing achievement, making money, generation of tangible outputs and largeness of scale. In those societies classified as feminine the dominant characteristics tended to be those of preferring people before money, seeking a high quality of life, helping others, preservation of the environment and smallness of scale.<sup>13</sup>

Table 2.1 provides an indication of those countries that exhibit high and low levels of each of the four dimensions identified by Hofstede.

If the Hofstede classification is a valid reflection of the cultural basis of countries and consequently a reflection of the major tendencies of most individuals within them, then organisations need to consider these preferences. Organisations from particular cultures may be more easily accommodated into locations with similar characteristics.

It is also possible that the Hofstede framework could be used to describe organisations themselves. Hofstede himself considered that power distance and uncertainty avoidance were the “decisive dimensions” of organisational culture. This view clearly links organisational and national culture by implying that the preferred ways of managing and organising in a specific context will be based upon the national tendencies. This assumption is not, however, directly tested in his work. It is possible that organisational culture is composed of different dimensions from national culture.

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<sup>13</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P607.

**Table 2.1: Illustration of Hofstede’s classification**<sup>14</sup>

	<b>Individualism</b>	<b>Power distance</b>	<b>Uncertainty avoidance</b>	<b>Masculinity</b>
<b>High</b>	USA	Philippines	Greece	Japan
	UK	Mexico	Portugal	Australia
	Australia	India	Japan	Italy
	Canada	Brazil	France	Mexico
<b>Low</b>	Mexico	Australia	Denmark	Sweden
	Greece	Israel	Sweden	Denmark
	Taiwan	Denmark	UK	Thailand
	Colombia	Sweden	USA	Finland
			India	

The research itself can be criticised on the basis of its emphasis on description rather than analysis. Categorisation of cultures is inevitably a simplification process based on frameworks and interpretation imposed by the researcher. Although there are statistical methods that can be used to identify clusters of related data (Hofstede used this approach) it is still up to the researcher to interpret the findings. By adopting this approach, Hofstede omits a more detailed consideration of how cultures form, change and are maintained (Furnham & Gunter, 1993). The categorisation approach also underplays the variety found within culture. It has already been stated that culture as defined by Hofstede reflects tendencies rather than absolutes. However, as presented, the dimensions give no clue as to the degree of difference that could be expected in any context (Tyson & Jackson, 1992). Hofstede tends to regard culture as relatively consistent across time, changing only slowly, a view based upon the anthropological perspectives of culture. More recent work, from a sociological perspective, prefers the view of culture as a much more dynamic process representing the balance between contradictory social and economic pressures and themes constantly acting on a society in real time (Albesson, 1993).<sup>15</sup>

<sup>14</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P608.

<sup>15</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P608.

## 2.2.2 Trompenaars' perspective

Frans Thompenaars, who is Franco-Dutch, worked for Shell in nine countries before becoming a consultant to several major multinational companies. He built up a database of the cultural characteristics of 15,000 managers and staff from 30 companies in 50 different countries. In his book *Riding the Waves of Culture* (1993), he discusses several aspects of cultural difference and its relationship with organisational life based on his large database.

His views contrast sharply with those that suggest that the world is becoming a “global village”, in that he argues firmly that what works in one culture will seldom do so in another. Included in his observations are the following examples:

**Performance pay:** He suggests that people in France, Germany, Italy and many parts of Asia tend not to accept that “individual members of the group should excel in a way that reveals the shortcoming of other members”.

**Two-way communications:** Americans may be motivated by feedback sessions, Germans, however, find them “enforced admissions of failure”.

**Decentralisation and delegation:** These approaches might work well in Anglo-Saxon cultures, Scandinavia, the Netherlands and Germany. They are likely to fail in Belgium, France and Spain.<sup>16</sup>

Trompenaars identifies seven dimensions of culture. Five deal with the way in which people interact with each other. A sixth deals with people's perspective on time and the seventh concerns the approach to moulding the environment. These combine to create different corporate cultures including:

**Family:** This is typically found in Japan, India, Belgium, Italy, Spain and among small French companies. It is hierarchical in structure with the leader playing a ‘father figure’ within the organisation. Praise can frequently be a better motivator than money in such cultures.

**Eiffel Tower:** Large French companies typify this culture, as might be expected from the title. It also embraces some German and Dutch companies. These companies are hierarchical in structure, very impersonal, rule driven and slow to adapt to change.

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<sup>16</sup> Martin, J. 2001. *Organizational Behaviour*. Second edition. P608.

**Guided missile:** Typical of American companies, and to a lesser extent found in the UK, these are egalitarian and strongly individualistic in nature with a measure of impersonality included for “good measure”. They are able to adjust the established course of action quickly but not completely.<sup>17</sup>

Trompenaars advises companies to avoid a blanket approach to culture, based on the dominant head office variety. Instead he argues that a transnational approach should be adopted, in which the best elements from several cultures are brought together and applied differently in each country. Managers should also be trained in cross-cultural awareness and respect and how to avoid seeing other people’s cultural perspective as stubbornness.

### **2.3 Differentiating culture from climate**

Culture and climate are often made use of in practical ways in organisations. But sometimes there is some confusion around these two “environmental elements”. For example: managers in organisations are talking increasingly about changing their cultures, creating new cultures, figuring out the impacts of their cultures, or preserving their cultures. When one examines what they are actually talking about, much of it has to do with what we would and should call climate. Therefore, it is very important to differentiate culture from climate if we want to have a better and clearer understanding of culture.

#### **2.3 1 The background of culture and climate**

Culture, in popular managerial parlance, usually refers to how people feel about the organisation, the authority system, and the degree of employee involvement and commitment– the “soft stuff”, all of which refers more to climate than culture. Managers need to learn that where culture may matter most is in its impact on the “hard stuff”, such as strategy and structure. Most managers are quite blind to the fact that their strategies and structures are dominated by cultural assumptions and that histories of success and failure hardwire these cultural assumptions into their thinking.

Most of the confusion about the impact of culture could be reduced if we were clearer about (a) whether or not we are trying to change the climate and (b) how the underlying cultural assumptions would aid or inhibit that process of change. Creating a climate of teamwork and

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<sup>17</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P609.

openness is a common goal nowadays, but it is the rare company that figures out how cultural assumptions about individualism, managerial prerogatives and respect for authority, based on past successes, make teamwork and openness possible. The structure of the reward system in most U.S. organisations is likely to be so completely individualistic that it should be no surprise that even a well-conceived and highly motivating programme of team building has minimal and only temporary results. Recall how quality circles failed in the United States– not because workers did not care about quality, but because workers did not want to sit around in groups to talk about it.<sup>18</sup>

The second reason for bothering with this distinction is empirical. It seems obvious to me that organisations have climates that individuals feel immediately upon entering them. Climate is embedded in the physical look of the place, the emotionality exhibited by employees, the experiences of visitors or new employees upon entry, and myriad other artefacts that are seen, heard, and felt. It is equally obvious that climate does not explain itself. We need other variables to explain why different organisations feel different. Edgar H. Schein’s resolution of this dilemma is to define climate as a cultural artefact resulting from espoused values and shared tacit assumptions. To understand climate fully, one must dig deeper and examine values and assumptions. In other words, one needs several concepts to understand what goes on in organisations and why it happens in the way it does. Climate and culture, if each is carefully defined, then become two crucial building blocks for organisational description and analysis.<sup>19</sup>

### **2.3.2 How Close Can They Get?**

In 1990 Schneider edited a book that attempted to distinguish culture from climate, and none of the contributors came to any clear conclusion. Denison (1996) has attempted to end the “paradigm wars” that he perceives to have existed between culture and climate researchers. He concludes as follows: “ A comparison of this recent culture research with the ‘organisational climate’ literature of the 1960s and 1970s shows a curious similarity and suggests that it is becoming increasingly difficult to distinguish some of the cultural research from the earlier climate paradigm on the basis of either the substantive phenomenon or the methods and

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<sup>18</sup> Ashkanasy, N.M. Wilderom, C. P. M. and Peterson, M. F. 2000. Handbook of Culture and Climate. Pxxiv.

<sup>19</sup> Ashkanasy, N.M. Wilderom, C. P. M. and Peterson, M. F. 2000. Handbook of Culture and Climate. Pxxiv.

epistemology” (p.644). In terms of definitions of culture and climate, Payne certainly agrees with Denison that many are easily substitutable for each other. Denison, however, presents a helpful comparison of the two concepts, with which Payne draws Table 2.2 with minor alterations.<sup>20</sup>

**Table 2.2: A comparison of Culture and Climate, after Denison (1996)<sup>21</sup>**

Focus	Culture	Climate
Epistemology	contextualist	Nomothetic/comparative
Point of view	natives’(via researcher’s)	Researcher’s (via natives’s
Methodology	qualitative	quantitative
Concern	values and assumptions	consensus of perceptions
Theoretical foundations	social construction/ critical theory	$B = f(P \times E)$
Discipline	anthropology/ sociology	psychology

Denison’s comparisons illustrate well that culture is very different from climate but they also share the common ground of trying to describe and explain the relationships that exist among groups of people who share some sort of common situation/experience. What Table 2. illustrates is that they use very different methods to do it. Culture researchers derive their methods from anthropology, and climate researchers derive theirs from the nomothetic traditions in psychology. Weick (1969) describes the GAS framework for comparing different approaches to social/psychological research: G stands for generalizable, A for accurate and S for specific. It is proposed that no single piece of research can simultaneously satisfy these three requirements. Culture research is more accurate and more specific than climate research, but it is much harder to generalize from, other than in the application of the concept itself. Climate research is possibly more generalizable, but it is less accurate and less specific, although it may still provide a useful

<sup>20</sup> Ashkanasy, N.M. Wilderom, C. P. M. and Peterson, M. F. 2000. Handbook of Culture and Climate. P166.

<sup>21</sup> Ashkanasy, N.M. Wilderom, C. P. M. and Peterson, M. F. 2000. Handbook of Culture and Climate. P166.

description of a single organisation and an even more useful comparison with other organisations. Thus, although it is difficult to distinguish definitions of culture from those of climate, it is possible to claim that climate is a way of measuring culture.<sup>22</sup>

## **2.4 How culture forms**

The formation of culture is to be discussed in two ways: culture in new groups and culture in existing formal groups.

### **2.4.1 How does Culture emerge in New Groups?**

To examine how culture actually begins– how a group learns to deal with its external and internal environment and develops assumptions that then get passed on to new members– we need to analyse group situations in which such events are actually observable. The following description will therefore deal with data from Schein’s experience in running training groups for the National Training Laboratories and various companies, supplemented by observations made in small groups within organisations during his consulting activities (Bradford, Gibb & Benne, 1964; Schein and Bennis, 1965; Schein, 1999a, 1999b). If we become sensitive to the issues that will be presented there, we can more readily see cultural phenomena in organisations and occupations.<sup>23</sup>

All groups start with some kind of originating event: (1) an environmental accident (for instance, a sudden threat that occurs in a random crowd and requires a common response), (2) a decision by an “originator” to bring a group of people together for some purpose, or (3) an advertised event or common experience that attracts a number of individuals. Human relations training groups start in the third mode: a number of people come together to participate in a one- or two-week workshop for the advertised purpose of learning more about themselves, groups and leadership (Bradford, Gibb, & Benne, 1964; Schein & Bennis, 1965; Schein, 1993a). The workshops are typically held in a geographically remote, isolated location and require full, round-the-clock participation.<sup>24</sup>

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<sup>22</sup> Ashkanasy, N.M. Wilderom, C. P. M. and Peterson, M. F. 2000. Handbook of Culture and Climate. P166.

<sup>23</sup> Schein, E.H. 2004. Organizational Culture and Leadership. P64.

<sup>24</sup> Schein, E.H. 2004. Organizational Culture and Leadership. P65.

The subsequent progress of group formation can best be understood as the confrontation of a sequence of shared underlying assumptions that are likely to arise in each of the major group stages, as outlined in Table 2.3. Culture formation takes place around the effort to deal with the anxieties characteristic of each of the basic assumptions. It also shows how spontaneous interaction in an unstructured group gradually lead to patterns and norms of behaviour that become the culture of that group— often within just hours of the group’s formation.

#### **2.4.2 How is Culture Formed in Formal Groups?**

In more formal groups an individual creates the group or becomes its leader. This could be an entrepreneur starting a new company, a religious person creating a following, a political leader creating a new party, a teacher starting a new class, or a manager taking over a new department of an organisation. The individual founder— whether an entrepreneur or just the convener of a new group— will have certain personal visions, goals, beliefs, values, and assumptions about how things should be. He or she will initially impose these on the group and/ or select members on the basis of the similarity of their thoughts and values.<sup>25</sup>

We can think of this imposition as a primary act of leadership, but it does not automatically produce culture. All it produces is compliance in the followers to do what the leader asks of them. Only if the resulting behaviour leads to “success” – in the sense that the group accomplishes its task and the members feel good about their relationships to each other— will the founder’s beliefs and values be confirmed and reinforced, and, most important, come to be recognised as shared.

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<sup>25</sup> Schein, E.H. 2004. Organizational Culture and Leadership. P16.

**Table 2.3: Stages of group evolution<sup>26</sup>**

Stage	Dominant Assumption	Socioemotional Focus
1. Group formation	Dependence: “The leader knows what we should do.”	Self-orientation: Emotional focus on issues of (a) inclusion (b) Power and influence (c) Acceptance and intimacy and (d) Identity and role
2. Group Building	Fusion: “We are a great group; we all like each other.”	Group as Idealised Object: Emotional focus on harmony, conformity, and search for intimacy.
3. Group Work	Work: “We can perform effectively because we know and accept each other.”	Member differences are not valued. Group Mission and Tasks: Emotional focus on accomplishment, teamwork, and maintaining the group in good
4. Group Maturity	Maturity: “We know who we are, what we want, and how to get it. We have been successful, so we must be right.”	working order. Member differences are valued. Group Survival and Comfort: Emotional focus on preserving the group and its culture. Creativity and member differences are seen as threat.

What originally was the founder’s individual view of the world leads to shared action, which, if successful, leads to a shared recognition that the founder “had it right”. The group will then act

<sup>26</sup> Schein, E.H. 2004. Organizational Culture and Leadership. P70.

again on these beliefs and values and, if it continues to be successful, will eventually conclude that it now knows the “correct” way to think, feel and act.<sup>27</sup>

If, on the other hand, the founder’s beliefs and values do not lead to success, the group will fail and disappear or will seek other leadership until someone is found whose beliefs and values will lead to success. The culture formation process will then revolve around that new leader. With continued reinforcement, the group will become less and less conscious of these beliefs and values, and it will begin to treat them more and more as non-negotiable assumptions. As this process continues, these assumptions will gradually drop out of awareness and come to be taken for granted. When assumptions come to be taken for granted, they become part of the identity of the group; are taught to newcomers as the way to think, feel, and act; and, if violated, produce discomfort, anxiety, ostracism, and eventually excommunication. This concept of assumptions, as opposed to beliefs and values, implies non-negotiability. If we are willing to argue about something, then it has not become taken for granted. Therefore, definitions of culture that deal with values must specify that culture consists of non-negotiable values– which Schein calls assumptions.<sup>28</sup>

In summary, we can think of culture as the accumulated shared learning of a given group, covering behavioural, emotional, and cognitive elements of the group member’s total psychological functioning. For such shared learning to occur, there must be a history of shared experience that, in turn, implies some stability of membership in the group. Given such stability and a shared history, the human need for stability, consistency and meaning will cause the various shared elements to form into patterns that eventually can be called a culture.<sup>29</sup>

## ***2.5 Definitions of organisational culture***

Culture also has a pervasive impact on business practices and organisational behaviours. Generally, organisational culture refers to the prevailing implicit values, attitudes and ways of doing things in a company. It often reflects the personality, philosophy and the ethnic-cultural

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<sup>27</sup> Schein, E.H. 2004. *Organizational Culture and Leadership*. P16.

<sup>28</sup> Schein, E.H. 2004. *Organizational Culture and Leadership*. P16.

<sup>29</sup> Schein, E.H. 2004. *Organizational Culture and Leadership*. P17.

background of the founder or the leader. Organisational culture dictates how the company is run and how people are promoted.

Organisational culture is one of the major issues in academic research and education, in organisation theory as well as in management practice. There are good reasons for this, says Alvesson (2002): the cultural dimension is central in all aspects of organisational life. Even in those organisations where cultural issues receive little explicit attention, how people in a company think, feel, value and act are guided by ideas, meanings and beliefs of a cultural (socially shared) nature; whether managers think that culture is too soft or too complicated to bother about or whether there is no unique corporate culture does not reduce the significance of culture. Senior organisational members are always, in one way or another, ‘managing culture’ – underscoring what is important and what is less so and framing how the corporate world should be understood. Organisations practicing intensive ‘member management’ may develop and reproduce a culture celebrating performance indicators and rituals around the handling of these. In most contemporary organisations, corporate culture receives a lot of attention and is seen as crucial. However, even in those cases where top managers have a strong awareness of the significance of culture, there is often a lack of a deeper understanding of how people and organisations function in terms of culture. Culture is as significant and complex as it is difficult to understand and ‘use’ in a thoughtful way.

### **2.5.1 Definitions from different researchers**

The meaning of organisational culture is widely investigated both academically and practically, because it is recognised that organisations cannot be operated and managed without serious consideration of their culture. Researchers contribute their own understandings and notions on organisational culture, which promote the application of culture. Reh (2002) says, “It is the leader’s job to provide the vision for the group. A good executive must have a dream and the ability to get the company to support that dream. But it is not enough to merely have the dream. The leader must also provide the framework within which the people in that organisation can help achieve the dream. This is called company culture.” Rollins and Roberts (1998) argue that “Organisational culture is not the same thing as national culture, regional culture, ethnic culture, or any other type of culture. Organisational culture specifically refers to the values and

behaviours of employees in organisations, such as corporations, companies and not-for-profit organisations.”<sup>30</sup> Robins defines the culture as “a system of shared meaning held by members that distinguishes the organisation from other organisations”.<sup>31</sup> Hofstede recognises culture as “the collective programming of the mind which distinguishes the members of one organisation from another”.<sup>32</sup> Schein has said that “organisational culture is: A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.”<sup>33</sup> Organisational culture is concerned with organisational values and that implied in this is the assumption that there are better or worse cultures, stronger or weaker cultures, and that the kind of culture will influence the effectiveness of organisations.”<sup>34</sup> Erve argues, “A business, if you like, can be represented by a group of people and the internal culture that they have created to operate in. Again, we must realize that this culture is influenced not only by the people that work there, but also by the culture of the environment. Within the boundaries of that particular corporate culture, the employees are driven by vision. This vision will lead to solutions and activities that are specific to the internal culture. In other words: One and the same vision may create different solutions in companies with different corporate cultures.”<sup>35</sup> What is corporate culture? The usual discussion on culture relates to elements such as values, attitudes, behaviour, rituals and hymns. To me culture is more. Culture is a conglomerate of phenomena that determines the way a company works or operates, if you like. It is apparent that the environment influences the culture in a corporation. But vision also impacts culture, since vision tends to create new values. In other words, the true culture in a corporation is reflected in its corporate vision as well as in the related strategies and activities. In summary, culture not only includes values, attitudes and behaviour, but also the activity-orientated consequences such as vision, strategies and actions. Together

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<sup>30</sup> Schlechter, A. F. 2000. The Relationship between Organizational Culture and Organizational Performance- A study conducted within a large South African retail organization. P14.

<sup>31</sup> Shaw, M. 1997. Finding the Rainbow: Organisational Culture, The Key to Corporate Performance. P15.

<sup>32</sup> Shaw, M. 1997. Finding the Rainbow: Organisational Culture, The Key to Corporate Performance. P15.

<sup>33</sup> Shaw, M. 1997. Finding the Rainbow: Organisational Culture, The Key to Corporate Performance. P16.

<sup>34</sup> Shaw, M. 1997. Finding the Rainbow: Organisational Culture, The Key to Corporate Performance. P16.

<sup>35</sup> Erve, M. 1989. The power of tomorrow’s management. P23.

these elements operate as a dynamic system.”<sup>36</sup> Charles Handy makes an interesting comment on organisational culture when he says, “There are four philosophies of management and organisational cultures, each named after a Greek god and forming a category. These categories are: Club, Role, Task, and Existential. Organisations nearly always need a mix of cultures to carry out their different tasks and each culture needs to understand and respect the other cultures.”<sup>37</sup>

To conclude the above comments on organisational culture: it is widely believed that organisational culture provides members of organisations with values; it orientates people’s behaviour within organisations. Organisational culture also assists with building an organisation’s unique character, which differs from that of another. Erve suggests that culture not only includes values, attitudes and behaviour, but also activity-orientated consequences.

### **2.5.2 Schein’s Theory of Organisational Culture**

Organisational culture is an important concept. It is a perspective from which to understand the behaviour of individuals and groups within organisations. Like so many concepts, organisational culture is not defined the same way by any two popular theorists or researchers. Some of the definitions of culture describe it as:

- Symbols, language, ideologies, rituals and myths.
- Organisational scripts derived from the personal scripts of the organisation’s founder(s) or dominant leader(s).
- A product; historical; based on symbols; and an abstraction from behaviour and the products of behaviour.

Why do we need the concept of culture anyway? What does it add that concepts like norms, behaviour patterns and climate do not adequately convey? Why not just settle for the study of symbols and observed behaviour patterns in their own right? Why do we need a conceptually “deeper” level? To answer these questions we should pause and ask ourselves about the origin of

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<sup>36</sup> Erve, M. 1989. The power of tomorrow’s management. P53.

<sup>37</sup> Shaw, M. 1997. Finding the Rainbow: Organisational Culture, The Key to Corporate Performance. P16.

the culture concept. Why was it taken out of the context of representing some of the more refined aspects of social phenomena into anthropology as a core concept for studying societies?

According to Schein's theory:

***Culture implies stability:*** Without doing the necessary historical analysis, Schein would speculate that the concept was needed first of all to explain the fact that, in most societies, certain phenomena persisted over time and displayed remarkable stability, even in the face of pressures toward change. This stability would be especially noticeable in some of the preliterate societies that had survived in a basically unchanged way for centuries. Culture, then, has something to do with long-range stability.

***Culture emphasises conceptual sharing:*** Secondly, he would speculate that what struck early ethnographers was the remarkable degree of similarity not only of manifest behaviour but also the perceptions, cognitions, and feelings of the members of a given society, suggesting that there was something under the surface that new members learned, which led to a high degree of similarity of outlook. Culture, then, has something to do with sharing or consensus among the members of a group. The most obvious aspect of such sharing is the common language and conceptual categories that are discovered whenever one studies a social group that has had any kind of history and shared experience; the study of socialisation processes, especially their content, then became one of the primary ways of deciphering what the common underlying shared things were.

***Culture implies patterning:*** Thirdly, he would speculate that what struck at least some anthropologists was the degree to which patterns were evident in societies. The observed regularities reflected higher order phenomena that created patterns and paradigms, sometimes leading to premature formulations of cultural types. The fact that early typologies proved to be more stereotypic and ignored important variations among and within societies only reinforced the idea that patterns had to be studied carefully and were somehow at the crux of deciphering cultural phenomena.

***Culture implies dynamics:*** How is one to explain the perpetuation of observed regularities and the ability of a group to perpetuate patterns over long periods of time and across many

generations of membership? The analysis of culture pushes us to the analysis of how culture is created and perpetuated, thus leading to studies of the socialisation process and a renewed emphasis on origins. Anthropologists had difficulty with cultural origins because one could not obtain historical data on the kinds of societies that were studied. Current attempts to apply culture to organisations do not suffer from this limitation because one can reconstruct historically the origin of organisations. In fact, historians have conducted some of the best cultural analyses in organisation studies, because they have been able to capture the dynamic, holistic patterning that is characteristic of cultures (e.g. Chandler, 1977; Dyer, 1986; Pettigrew, 1979; Westney, 1987).

***Culture implies all aspects of group life:*** If one looks at early ethnographies, one is struck by the fact that cultural phenomena penetrate all of the aspects of daily life. There is virtually nothing that we do that is not coloured by our shared ways of looking at things. In analysing culture, then, it becomes important not to develop simplistic models that rely only on a few key dimensions, but to find models that reflect the vastness that culture represents.<sup>38</sup>

Schein suggests that what we need is a model of culture that does justice to (a) what the concept connotes and (b) what has been its source of utility in other fields. Such a model comes out of an eclectic approach that draws on anthropology, sociology, and social psychology, and that reflects research methods broader than the traditional ones. Specifically, we need to add to other methods what he has called the “cultural perspective” (Schein, 1987), by which he means what one learns when one is in a helper/consultant role (as contrasted with a researcher role). Sometimes one learns most about what culture is, how it operates, and what its implications are when one is helping an organisation to solve real problems. At such times the insiders are more open, more willing to reveal what they really think and feel, and, thereby, make it more obvious what things are shared and how things are patterned. At such times, one also begins to understand what it means to go to “deeper” levels.<sup>39</sup>

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<sup>38</sup> Frost, P. J, Moore, L. F, Lundberg, C. C. and Martin, J. 1991. Reframing Organizational Culture. P246.

<sup>39</sup> Frost, P. J, Moore, L. F, Lundberg, C. C. and Martin, J. 1991. Reframing Organizational Culture. P247.

## **A Formal Definition of Culture**

Schein defines culture as “A pattern of shared basic assumptions, which are invented, discovered, or developed by a given group, as it learns to cope with its problems of external adaptation and internal integration, what has worked well enough to be considered valid, and, therefore, is to be taught to new members of the group as the correct way to perceive, think, and feel in relation to those problems.”<sup>40</sup>

## **The Definition Examined and Explained**

Culture, in any of its meanings, is a property of a human group. If one cannot define the group, then one cannot define the culture of that group. It will not help us in the conceptual domain to do what is sometimes done, namely, to define the group as “all those people who share some common behaviour or attitude.” In other words, to define a group as a set of people who share a culture is to be circular and to remain unenlightened on what precisely it is that they share. So we must start with group definitions that are more objective – sets of people who have a history with each other, who have shared experiences, where membership is sufficiently stable to have allowed some common learning to occur.

At the simplest conceptual level, then, we can say that culture is the shared common learning output. But this does not yet tell us what sorts of things groups learn, retain, and pass on, or why they do this. What this “model” does say, however, is that only what is shared is, by definition, cultural. It does not make sense, therefore, to think about high or low consensus cultures or cultures of ambiguity or conflict. If there is no consensus or if there is conflict or if things are ambiguous, then, by definition, that group does not have a culture in regard to those things. It may have subcultures, smaller groups that have a shared something, a consensus about something, but the concept of sharing or consensus is core to the definition, not something about which we have an empirical choice.

The next part of the definition draws more on social, cognitive, and dynamic psychology. When one observes new groups or studies the histories of new organisations, one observes that all such

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<sup>40</sup> Frost, P. J, Moore, L. F, Lundberg, C. C. and Martin, J. 1991. Reframing Organizational Culture. P247.

organisations have to deal with two fundamental sets of issues– external adaptation and internal integration– and that they deal with such issues at the behavioural, cognitive and emotional levels.

The problems of external adaptation and internal integration specify what the learning focus is. Analysing these problems, the primary issues faced by all groups, gives us an important insight into the likely “content” of any given culture. In other words, a given group’s culture will reflect what that group has learned in solving its particular problems in its own history. A different group that has had different problems and experiences will, by definition, have a culture with different content.

**Table 2.4: The External and Internal Tasks Facing All Groups<sup>41</sup>**

External Adaptation Tasks	Internal Integration Tasks
Developing consensus on: <ol style="list-style-type: none"> <li>1. The core mission, functions, and primary tasks of the organisation vis-à-vis its environments</li> <li>2. The specific goals to be pursued by the organisations</li> <li>3. The basic means to be used in accomplishing the goals</li> <li>4. The criteria to be used for measuring results</li> <li>5. The remedial or repair strategies if goals are not achieved</li> </ol>	Developing consensus on: <ol style="list-style-type: none"> <li>1. The common language and conceptual system to be used, including basic concepts of time and space</li> <li>2. The group boundaries and criteria for inclusion</li> <li>3. The criteria for the allocation of status, power and authority</li> <li>4. The criteria for intimacy, friendship, and love in different work and family settings</li> <li>5. The criteria for the allocation of rewards and punishments</li> <li>6. Concepts for managing the unmanageable – ideology and religion</li> </ol>

Common dimensions tend to be useful only at a fairly abstract level, as in the case of those shown in Table 2.4, and even those categories are subject to theoretical revision as we learn more

<sup>41</sup> Frost, P. J, Moore, L. F, Lundberg, C. C. and Martin, J. 1991. Reframing Organizational Culture. P249.

about group histories. So the issues identified in Table 2.4 are only a first approximation at identifying the dimensions of culture, based on the analysis of what issues any group must resolve both internally and externally. The breadth of these issues also reminds us that culture content can cover a very wide territory since it reflects all of a group's shared learning, not only the few dimensions that may be of interest to a hypothesis testing oriented researcher. If one were to determine all of the things a group has learned in all of the categories of Table 2.4, one would have a full-blown ethnography, and only then could one claim to have described "the" culture of a group or organisation.<sup>42</sup>

If one wanted a more parsimonious theory of culture content, one could derive a higher order set of issues that are implied in almost all culture research, as shown in Table 2.5. However, at this level of abstractness one is at risk of not really capturing what is uniquely important in any group.<sup>43</sup>

The next issue in defining culture is whether or not one should view culture as a set of shared behaviours, skills, perceptions, expectations, symbols, beliefs, values, attitudes, assumptions, feelings or mental models. No doubt even more categories could be considered. Most of the current definitions seem to blur distinctions that have become very important within psychology. Thus to talk about "beliefs, attitudes, and values" in one breath is putting together a set of concepts that operate very differently in the psychic life of an individual. What, then, should culture be? All of the above?

To resolve such a problem conceptually, Schein has drawn on a dynamic model of how he believes the learning process to proceed in any new group or organisation. Basically the founder of the new group starts with some beliefs, values, and assumptions about how to proceed and teaches those to new members through a whole variety of mechanisms. What for him or her is a basic reality becomes a set of interim values and beliefs for the group, about which they have limited choice. The group then behaves in a certain way, based on the founder's beliefs and values, and either succeeds or fails. If it fails, the group eventually dissolves and no culture is

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<sup>42</sup> Frost, P. J, Moore, L. F, Lundberg, C. C. and Martin, J. 1991. Reframing Organizational Culture. P248.

<sup>43</sup> Frost, P. J, Moore, L. F, Lundberg, C. C. and Martin, J. 1991. Reframing Organizational Culture. P249.

formed. If it succeeds, and this process repeats itself, what originally were the beliefs, values and assumptions of the founders come to be validated in the shared experiences of the group.

**Table 2.5: The Underlying Dimensions of Organisational Culture<sup>44</sup>**

Dimension	Questions to be Answered
1. The organisation's relationship to its environment	Does the organisation perceive itself to be dominant, submissive, harmonising, searching out of niche?
2. The nature of human activity	Is the "correct" way for humans to behave to be dominant/pro-active, harmonising, or passive/fatalistic?
3. The nature of reality and truth	How do we define what is true and what is not true; and how is truth ultimately determined both in the physical and social world? By pragmatic test, reliance on wisdom, or social consensus?
4. The nature of time	What is our basic orientation in terms of past, present and future, and what kinds of time units are most relevant for the conduct of daily affairs?
5. The nature of human nature	Are humans basically good, neutral or evil, and is human nature perfectible or fixed?
6. The nature of human relationships	What is the "correct" way for people to relate to each other, to distribute power and affection? Is life competitive or cooperative? Is the best way to organise society on the basis of individualism or groupism? Is the best authority system autocratic/paternalistic or collegial/ participative?
7. Homogeneity vs. diversity	Is the group better if it is highly diverse or if it is highly homogeneous, and should individuals in a group be encouraged to innovate or conform?

<sup>44</sup> Frost, P. J, Moore, L. F, Lundberg, C. C. and Martin, J. 1991. Reframing Organizational Culture. P250.

This process always starts with beliefs and values that represent predictions about how things are (beliefs) and statements of how things ought to be (values). When they become validated for the group, what was originally a value is gradually transformed cognitively into an assumption (a belief about how things are, now based on experience, and therefore no longer in need of being tested). As the group builds up more common experience, it gradually transforms its values and beliefs into assumptions. If this is a shared process because of stable membership and common experiences, the group evolves a shared set of assumptions. The more these assumptions are validated, the more they come to be taken for granted and drop out of awareness.

Validation occurs both externally and internally. From an external point of view, it is measured by actual success in task accomplishment. From an internal point of view, it is validated by reducing the anxiety that is associated with meaninglessness and unpredictability. Shared assumptions thus in part get their stability from the fact that they provide meaning, structure and predictability to the members of the group.

If culture is something the group learns, how does this learning occur? Here we need to draw on learning theory and note that three kinds of learning promote unusual levels of stability of learned responses (Schein, 1983). One mechanism derives from Pavlovian conditioning and is based on the avoidance of pain. If a group has made mistakes that have led to failures, it will develop assumptions about what not to do which tend not to get tested because the testing produces very high levels of anxiety.

A second mechanism derives from Skinner's observation that partial random reinforcement can produce more stable behaviour than regular predictable reinforcement. If something works all the time and one day stops working, it is easier to unlearn than if something works most of the time in an unpredictable pattern.

A third learning mechanism derives from gestalt psychology, where one notes that whole conceptual patterns can shift at once, the phenomenon of "insight". Such patterns derive their stability from the fact that they are patterns, suggesting that if culture is a pattern of assumptions, one cannot expect any given isolated assumption to change unless the pattern as a whole changes.

If we are to understand the stability of shared assumption sets, we must investigate historically how the group learned those assumptions in the first place. Depending on the learning history, one would have different hypotheses about how stable any given cultural assumption actually was and how it could be unlearned, should that become desirable or necessary.

The definition emphasises that, unless such assumptions are passed on to new members, one cannot define them as part of the culture. The passing on of assumptions through the socialisation process is the best part of sharedness and taken-for-grantedness. It distinguishes assumptions that are idiosyncratic from those that are a shared characteristic of the group.

Finally, the definition emphasises that, if we make basic assumptions about different aspects of reality, those assumptions will influence perceptions, thought and feeling as well as overt behaviour. But overt behaviour is also influenced by local circumstances and immediate events, so if one is to define culture as a deeper phenomenon, one must define it in terms of deeper psychic categories. Behavioural regularities, in other words, could result from common environmental pressures, but common perceptions, thoughts and feelings reflect more accurately a common learning process.<sup>45</sup>

### **2.5.3 Conclusions**

The above essay has tried to set out the conceptual issues involved in defining organisational culture. The proposed definition is an attempt to be very clear and explicit about the underlying model of culture that is implied. The model has the advantage that it (a) points clearly to the kinds of variables that have to be considered in studying culture, (b) shows why some of the methods currently in use fall short, and (c) provides enough face validity to enable practitioners to use the concept constructively in deciphering their own culture.

The process of deciphering a given group's culture is outlined, and it is pointed out that if an outsider using this model works with a motivated insider group, many of the most critical dimensions of a given group's culture can be deciphered in a fairly short period of time.<sup>46</sup>

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<sup>45</sup> Frost, P. J, Moore, L. F, Lundberg, C. C. and Martin, J. 1991. Reframing Organizational Culture. P251.

<sup>46</sup> Frost, P. J, Moore, L. F, Lundberg, C. C. and Martin, J. 1991. Reframing Organizational Culture. P253.

## **2.6 The dimensions of culture**

Schein (1985) identified six dimensions that he suggests reflect the composition of culture within an organisational context:

**Behavioural regularities:** This reflects observable patterns of behaviour. It might include induction ceremonies, the in-group language and the ritualised behaviour patterns that reflect membership of particular groups or organisations.

**Dominant values:** These are the specific beliefs expressed by groups and organisations. For example, an organisation might attempt to create a “quality image” by adopting a number of relevant initiatives and publishing its objective to achieve “quality” as a policy.

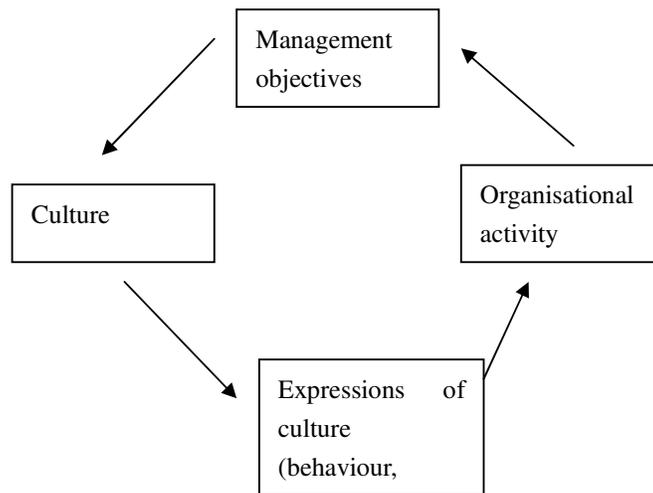
**Norms:** These are general patterns of behaviour that all members of a group are expected to follow. For example, many retail chains set specific behaviour standards for employees in terms of the phrases used for customer greeting and the requirement to smile and make eye contact.

**Rules:** Rules are specific instructions of what must be done, whereas norms are sometimes unwritten and informally accepted. The rules are the “must dos” of the organisation set out by management. However, employees may simply comply with them because they must be followed. This represents the difference between doing something because it is necessary and doing it because of a belief that is right or because it represents a “norm” of the particular group.

**Philosophy:** In this context these reflect the underlying beliefs that people hold about people in general, their beliefs, mentality and the basis on which they operate. Given that an organisation is largely formed by the managers who run it, its philosophy naturally tends to reflect their values. Based on this philosophy managers determine the policies and practices that will guide the company and help to frame its culture and operations.

**Climate:** The physical layout of buildings, attitudes to open plan as opposed to enclosed offices, recreation facilities, management style and the design of public areas all help to create the atmosphere or climate within the company.<sup>47</sup>

Each of these six dimensions of culture is a complex idea in its own right. They do, however, offer descriptive ability in beginning to tease out how culture influences organisations and how, in turn, organisations can influence culture. This circularity is reflected in Figure 2.1.



**Figure 2.1: The cycle of culture<sup>48</sup>**

The circularity displayed in Figure 2.1 indicates that culture produces particular behaviour and associated belief patterns, which in turn influences what actually happens within the organisation. Actual events are then measured against management objectives and the consequences feed back into culture, the implication being that, if management perceive that a particular culture achieves the objectives being pursued, it will be reinforced. If it does not contribute to the achievement of objectives, management will attempt to change it.<sup>49</sup>

Luthans (1992) has the same point of view as Schein; he described these dimensions as follows:

<sup>47</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P589.

<sup>48</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P589.

<sup>49</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P590.

**Observed behavioural regularities:** Organisational members, in their interaction with one another, use common language, terminology and rituals related to deference and demeanour.

**Norms:** Organisational members adhere to standards of behaviour that include guidelines on how much work organizational members need to produce.

**Dominant values:** These are important values that the organisation advocates and expects members to share, e.g. high efficiency, low absenteeism and high product quality.

**Philosophy:** This comprises policies setting out the organisation's beliefs about how employees/customers are to be treated.

**Rules:** There are strict guidelines related to getting along in the organisation. Newcomers must learn these in order to be accepted as fully-fledged members of the group.

**Organisational climate:** This is the overall "feeling" that is conveyed by the physical layout, the ways in which organisational members interact and in which members of the organisation conduct themselves with customers or other outsiders.<sup>50</sup>

## **2.7 Characteristics of organisational culture**

In the literature study, characteristics of organisational culture were obtained from the different researchers identified below. These characteristics assist our understanding of culture and are especially useful when applied to the real organisation's operation.

### **2.7.1 From Chatman and Jehn**

At the root of any organisation's culture, is a set of core characteristics that are collectively valued by members of an organisation. Research by Chatman and Jehn (1994) has shown that several elements of organisational culture may be used to describe organisations. They are as follows:

**Innovation:** the extent to which employees are expected to be creative and generate new ideas.

**Stability:** valuing a stable, predictable, rule-orientated environment.

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<sup>50</sup> Schlechter, A. F. 2000. The Relationship between Organizational Culture and Organizational Performance- A study conducted within a large South African retail organization. P27.

**Orientation towards people:** being fair, supportive and showing respect for individual rights.

**Results-orientation:** the strength of an organisation's concern for achieving desired results.

**Easy-goingness:** the extent to which the work atmosphere is relaxed and "laid back".

**Attention to detail:** concern for being analytical and precise.<sup>51</sup>

### 2.7.2 From Robbins

Robbins (1998) says, "There seems to be wide agreement that organisational culture refers to a system of shared meaning held by members that distinguishes the organisation from other organisations. This system of shared meaning is, on closer examination, a set of key characteristics that the organisation values. The most recent research suggests that there are seven primary characteristics that, in aggregate, capture the essence of an organisation's culture." These characteristics are:

**Innovation and risk taking:** The degree to which employees are encouraged to be innovative and take risks.

**Attention to detail:** The degree to which employees are expected to exhibit precision, analysis, and attention to detail.

**Outcome orientation:** The degree to which management focuses on results or outcomes rather than on the techniques and processes used to achieve these outcomes.

**People orientation:** The degree to which management decisions take into consideration the effect of outcomes on people within the organisation.

**Team orientation:** The degree to which work activities are organised around teams rather than individuals.

**Aggressiveness:** The degree to which people are aggressive and competitive rather than easygoing.

**Stability:** The degree to which organisational activities emphasise maintaining the status quo in contrast to growth.<sup>52</sup>

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<sup>51</sup> Schlechter, A. F. 2000. The Relationship between Organizational Culture and Organizational Performance- A study conducted within a large South African retail organization. P26.

Each of these characteristics exists on a continuum from low to high. Appraising the organisation on these seven characteristics, then, gives a composite picture of the organisation's culture. This picture becomes the basis for feelings of shared understanding that members have about the organisation, how things are done in it, and the way members are supposed to behave.

### **2.7.3 From Hampden-Turner**

Hampden-Turner (1990) in "Creating Corporate Culture" proposes some characteristics of organisational culture, as follows:

***Individuals make up a culture:*** Where does a culture originate? The answer is that it lies within the potential of an organisation's individual members. They use the culture to reinforce ideas, feelings, and information that are consistent with their beliefs. The culture discourages, even represses, sentiments and information that are inconsistent.

All cultures exclude something; otherwise, the organisation would simply become a confused collection of its member's various desires and might fail to serve its customers effectively. A culture that admits a wide range of human expression is known as a high-context culture. One that limits this range has low context.

***Cultures can be rewarders of excellence:*** Cultures embody the needs and aspirations of a group's members. This makes the process of culture forming inherently satisfying and a strong source of motivation. All members of a group can strive to create a habitat for their own feelings and ideas. They can help establish the norms and standards by which they will be judged, set up the categories into which their own ideas will fit, and create the roles they aspire to fill. Culture, at best, can be an environment for bringing out the potential of all the group's members and a system for rewarding defined tasks.

Culture confers immense prestige on particular accomplishments. At 3M, for example, the culture contains an organised system for admiring innovative work. National cultures likewise excel at what they most admire. The U.S. admiration for the individual has produced the pioneer, the frontiersman, the mountain men, the robber barons, the grand acquirers, and the junk-bond bandits. The relish of the English for their spoken tongue

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<sup>52</sup> Robbins, R.P. 1998. Organizational Behaviour. Eighth Edition. P595.

has produced some great literature and theatre, and a modern broadcasting, entertainment, and teaching tradition. Switzerland has turned its geographical location into a meeting place for nations and a centre for negotiation, rescue, refuge, healing, medicine, and banking. National cultures can be powerful influences.

***Culture is a set of affirmations:*** A culture proves that no group, corporation, tribe, or nation can start from nothing. Their members need to be imbued with beliefs and assertions. Some executives will remember training groups (T-groups), which were common some 20 years ago, and may have felt first-hand the sheer anxiety of a leaderless, purposeless group without structure or agenda. They may have experienced the eagerness, almost desperation, with which the group developed norms, values, procedures, purposes, and shared agendas, and the great relief and intensity of mutual feelings that these standards brought to many group members. Culture, then, is especially strong where people most need reassurance and greater certainty.

***Cultural affirmations tend to fulfil themselves:*** The assertions that create a culture typically take form before that culture creates wealth or value for its customers. Getting together around a belief may help to make that belief come true. At the very least the group can make the belief credible through continual commitments. Thus, if the Macintosh computer is described by its developers at Apple as an “insanely great” product that will “change the world”, then Apple employees may expend greater efforts and creativity on this product than they might otherwise. There is also a risk of disappointment and an increase in tension, together with envy from employees working on other products. So, culture has consequences, both good and bad.

***Cultures make sense and have coherent points of view:*** even if people do not share the values and the premises of a culture, once they grasp what these are, they will see the logic of following the example of true members of the culture. It is impossible to appreciate a corporate culture until it is understood that its actions follow logically from its beliefs and assumptions. The feeling that a culture is illogical is usually the result of people mistaking its premises for their own. For example, the continuous monitoring of employees’ work through video cameras is a logical consequence of the assumption that they are naturally

lazy and careless unless carefully supervised and corrected. Such assumptions may become self-fulfilling because workers will tend to relax the moment scrutiny is interrupted, and they may try to evade the cameras. Such behaviour “proves” to the satisfaction of top managers that it is necessary to continue close control and monitoring.

***Cultures provide their members with continuity and identity:*** Without a shared culture, Volvo could not be recognisably Volvo and companies such as British Airways could not be distinguished from other carriers in terms of service – nor would employees seek to identify themselves with these companies. A corporation can retain its sense of identity and continuity only if beliefs are shared, affirmed, self-fulfilling, distinctive, and persistent despite changing environments. Like a ship at sea, a company will retain its purposes, values, and sense of direction even if it is blown off course, damaged, or temporarily disabled. In an emergency, everyone will realise that the “ship” needs to be saved and needs to reach its destination by any possible route. The ship analogy facilitates the understanding of two additional elements of corporate culture.

***A culture is in a state of balance between reciprocal values:*** Just as a ship needs to move forward to keep its balance and buffer itself against turbulence, so a corporate culture is a balancing act between stability and turbulence, continuity and change, the course to be steered and the force and direction of wind and tide. The movement cannot be all change or all continuity. Within the ship’s crew are many sets of reciprocal roles that must also achieve some kind of balance. One person or group provides the power (shareholders, for example), another steers. One scans the environment and looks to the outside, and others make sure that the ship is in good shape inside. There are leaders and followers, heads and hands, those who send and receive signals and those who respond to them. Culture is not simply a division of labour but an integration of that labour into a balanced whole.

***A corporate culture is a cybernetic system:*** The word cybernetic is from the Greek *kubernetes*, helmsman. To call a culture cybernetic is to imply that it steers itself and perseveres in the direction it has set itself, despite obstacles and interruptions. An automatic compass, for example, indicates which direction a ship must be steered in order to compensate for being blown off course or to avoid an obstacle. A corporate culture may similarly try to penetrate

a new market from different directions following a series of frustrations. All cybernetic systems process feedback about changes in the environment and make appropriate course corrections.

British Airways, for example, uses several kinds of feedback to improve its culture of customer service. There is the routine trip report, but there are also “Customer First” teams, which meet to consider how service might be improved in the light of their experience in the cabin. Finally, there is a Videobox, in which customers are filmed making complaints or expressing gratitude. These feedback data are scrutinised so that the culture can learn. Learning is what it is all about.

***Culture involves patterns:*** A culture is no particular thing or object but a pattern that appears both through time and across the organisation. For example, a major study of a U.S. bank found that the relationship between the bank’s service and its customers was repeated in the relationship between supervisors and service staff and in the relationship between top managers and supervisors. It is probable, although the research did not go that far, that the pattern was repeated again between the headquarters of the bank and its branches. In fact, culture resembles a hologram in the sense that information is distributed throughout the pattern, and any piece of any pattern contains within it a microcosm of the whole. Hence a skilful and kind encounter between the airline stewardess and a frightened passenger is a microcosm of how that stewardess has herself been treated, which in turn is part of a more general attitude toward empowering cabin crews to serve customers better.

***Culture is about communication:*** It is most important to grasp that many cultures facilitate communication, the sharing of experience and information. They can make their members strongly supportive of each other. Corporations may develop patterns of wishful thinking and mutual reassurance. The corporate culture may be failing, yet mutual affections require that failure be cushioned and excused. However, the affectional systems of cultures are not necessarily barriers to better performance. Work of world-beating quality is performed in North American Tool and Die as acts of friendship for fellow workers and for its founder. To win the affection of peers and fellow workers can be the ultimate and most powerful reason for working.

***Culture is more or less synergistic:*** A subtle yet vitally important aspect of culture is the synergy among its values. The word synergy is from the Greek sun-ergo, “work with”, and refers to the extent that different values held within a culture “work well” with each other. Synergy is probably the closest Westerners get to the Asian concept of wa (or harmony) in business, a central axiom of Japanese national and corporate culture. Values work with each other if they have been designed to do so.

Synergies can be woven into the elements of corporate culture. For example, corporate creativity is highest, not when self-styled geniuses advertise themselves vociferously, but when a flow of original ideas encounters intelligent and constructive feedback, along with people willing to push these ideas through and complete every last detail of their implementation. For Western Oil, only truck drivers could in the end, push through the highest standards of road safety, but this had to happen in conjunction with a management culture determined to reduce losses caused by accidents.

***Only cultures can learn and organisations must learn:*** There was a time when a company simply took whatever knowledge was already available from professional bodies or research departments and put it into production. The learning was “brought in” by hiring experts and then ground out by the factory. Employees learned up to a point, but the organisation simply exploited what was known, buying new expertise when appropriate. Today everything is simply moving too fast. The market environments are in ever more rapid evolution, while science develops more quickly than commercial applications can be generated.

In such circumstances there has to be a network of people who can learn simultaneously from changing markets “outside” and burgeoning technology “inside” and bring to customers the latest satisfactions that new knowledge makes possible. This result can be achieved only by a culture that continuously learns from several sources: that is, the much-discussed “learning organisation”. Organisations whose business is based on innovative and entrepreneurial individuals with high levels of knowledge have a particular problem. These workers must feel more creative and unrestricted within the organisation than they would as solo operators, otherwise they will either leave and set up on their own

or fail to create the networks that lead to quality products. Norsk Data, for example, finds that it must offer employees more scope for entrepreneurship than they could possibly have if they set up their own companies.<sup>53</sup>

## ***2.8 Organisational culture's role in the organisation***

Considering the definitions of organisational culture, it is striking to realise that organisational culture is an intangible force, but one with far-reaching consequences (Greenburg & Baron, 1997). Indeed, culture plays several important roles in organisations.

Most obviously, an organisation's culture provides a sense of identity for its members (Greenburg & Baron, 1997). The more clearly an organisation's shared perceptions and values are defined, the more strongly employees can associate themselves with their organisation's mission and feel a vital part of it.

The second important function of culture is generating commitment to the organisation's mission (Greenburg & Baron, 1997). When there is a strong overarching organisational culture, employees feel that they are a part of the larger, well-defined whole and involved in the entire organisation's work.

A third important function of culture is that it serves to clarify and reinforce standards of behaviour (Greenburg & Baron, 1997). While it is essential for newcomers, it is also beneficial for seasoned veterans. In essence, organisational culture builds employees' words and deeds, making it clear what they should do or say in a given situation. In this way, it provides stability to behaviour, both with respect to what one individual might do at different times, and what different individuals may do at the same time.<sup>54</sup>

Schein (1988) also identified three functions of organisational culture. In the first instance, organisational culture plays a role in solving the organisation's problems related to survival and adaptation in the external environment. The problems of external adaptation specify the coping cycle that any system must be able to maintain in relation to its changing environment.

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<sup>53</sup> Hampden-Turner, C. 1990. *Creating Corporate Culture*. P7.

<sup>54</sup> Schlechter, A. F. 2000. *The Relationship between Organizational Culture and Organizational Performance- A study conducted within a large South African retail organization*. P31.

Several problems of external adaptation are (Schein, 1986)

**Mission and strategy:** obtaining a shared understanding of the core mission, primary task, manifest and latent functions.

**Goals:** development of consensus on goals as derived from the core mission.

**Means:** development of consensus on the means to be used to attain the goals as organisation structure, division of labour, reward system and authority system.

**Measurement:** development of consensus on the criteria to be used in measuring how well the group is doing in meeting its goals, such as the information and control system.

**Correction:** development of consensus on the appropriate remedial or repair strategies to be used if goals are not being met.<sup>55</sup>

In the second instance, culture plays a role in solving the organisation's problems related to the integration of its internal processes to ensure the capacity to continue to survive and adapt (Schein, 1986). The internal issues described by Schein (1988), which must be dealt with by the group are:

**Common language and conceptual categories:** members have to communicate and understand each other. If they cannot, a group is impossible.

**Group boundaries and criteria for inclusion and exclusion:** an important area of culture is the shared consensus on who is in and who is out and by what criteria membership is determined.

**Power and status:** every organisation must determine its pecking order, its criteria and rules for how one gets, maintains and loses power. Consensus in this area is crucial to help members manage feelings of aggression.

**Intimacy, friendship and love:** every organisation must determine its rules of the game for peer relationships, relationships between sexes and the manner in which openness and intimacy are to be handled in the context of managing the organisation's tasks.

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<sup>55</sup> Schlechter, A. F. 2000. The Relationship between Organizational Culture and Organizational Performance- A study conducted within a large South African retail organization. P31.

**Rewards and punishments:** every group has to know what its heroic and sinful behaviours are; which get rewarded and which get punished.

**Ideology and “religion”:** every organisation faces unexplainable events which must be given meaning so that members can respond to them and avoid the anxiety of dealing with the unexplainable and uncontrollable.<sup>56</sup>

Finally, culture does more than solve internal and external problems. It also serves the basic function of reducing the anxiety that humans experience when they are faced with cognitive uncertainty or overload (Schein, 1986). It provides for a system for sorting out from the mass of input, those things that must be attended to and a set of criteria for reacting to them.<sup>57</sup>

## **2.9 The role of the organisation’s founder in the creation of culture**

Organisations do not form accidentally or spontaneously. They are “created” because one or more individuals perceive that the coordinated and concerted action of a number of people could accomplish something that individual action cannot. Social movements or new religions begin with prophets, messiahs, or other kinds of charismatic leaders. Political groups are begun by leaders who articulate and sell new visions and new solutions to problems. Firms are created by entrepreneurs who have a vision of how the concerted effort of the right group of people can create a new product or service in the marketplace. The process of culture formation is, in each case, first a process of creating a small group.

In the typical business organisation, this process will usually involve some version of the following steps:

- *A single person (founder) has an idea for a new enterprise.*
- *The founder brings in one or more other people and creates a core group that shares a common vision with the founder. That is, they all believe that the idea is a good one, is workable, is worth*

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<sup>56</sup> Schlechter, A. F. 2000. The Relationship between Organizational Culture and Organizational Performance- A study conducted within a large South African retail organization. P32.

<sup>57</sup> Schlechter, A. F. 2000. The Relationship between Organizational Culture and Organizational Performance- A study conducted within a large South African retail organization. P32.

*running some risks for, and is worth the investment of time, money, and energy that will be required.*

- The founding group begins to act in concert to create an organisation by raising funds, obtaining patents, incorporating, locating space, and so on.*
- Others are brought into the organisation as partners and employees, and a common history begins to be built. If the group remains fairly stable and has significant shared learning experiences, it will gradually develop assumptions about itself, its environment, and how to do things to survive and grow.*<sup>58</sup>

As those assumptions come to be taken for granted and group out of awareness, we have the makings of an organisational culture. The stability of those assumptions derives from the fact that, together, they provide group members with a way of giving meaning to their daily lives, setting guidelines and rules for how to behave, and, most important, reducing and containing the anxiety of dealing with an unpredictable and uncertain environment. Culture stabilises and normalises events and thus makes day-to-day functioning possible. Once a group has a shared set of assumptions, it will tend to cling to those assumptions. Hence, culture is very difficult to change, unless one changes the people in the group.

A founder usually have a major impact on how the group defines and solves its external problems of surviving and growing, and how it will internally organise itself and integrate its own efforts. Because they have the original idea, founders will typically have their own notion, based on their own cultural history and personality, of how to realise the idea. Founders not only have a high level of self-confidence and determination, but typically also have strong assumptions about the nature of the world, the role that organisations play in that world, the nature of human nature and relationships, how truth is arrived at, and how to manage time and space (Schein, 1981, 1983, 1985a). Since they start the group, they tend to impose their assumptions on the group and to cling to them until such time as they become unworkable or the group fails and breaks up. With new members and leaders coming into the group, the founder's

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<sup>58</sup> Frost, P. J, Moore, L. F, Lundberg, C. C. and Martin, J. 1991. Reframing Organizational Culture. P15.

assumptions and beliefs will gradually be modified, but they will always have the biggest impact on what will ultimately become the group's culture.

Culture is learned and developed through a variety of explicit and implicit mechanisms, often based on explicit "teaching" by the founder or later leaders.

The things that solve a group's problems repeatedly and reduce anxiety will survive and become a part of the culture. But only solutions that are proposed or invented can become candidates as cultural elements. Cultures do not start from scratch. Founders and group members always have prior experience to start with. Powerful members will try to impose their assumptions as the proposed solutions to problems, and the group will select something to try before the process of learning can operate. The creation and embedding process, therefore, has to be viewed simultaneously as a learning and a teaching process. At every stage, the role of the leader and the group must be understood, if one is to make sense of how the culture evolves.<sup>59</sup>

## **2.10 The determinants of culture**

In the early days of an organisation, the culture is very dependent upon the founders, their personalities and preferred ways of doing things. For example, employees must first get to know the bosses and their way of doing things. This is followed by a period of adjustment while both parties become accustomed to working with each other, etc. This learning or acquiring a culture Herskovitts (1948) referred to as enculturation. Doing so reflects a process that is similar to learning by assimilation or absorption. This could be differentiated from socialisation as a process that involved more of a direct training dimension to it. Handy (1993) indicates a number of influences on the apparent culture of an organisation:<sup>60</sup>

**History and ownership:** In a very real sense, culture is something that is independent of most individuals within the organisation. In all cases other than a start-up (or close-down) the company existed before particular employees joined it, and it will continue to exist after they leave it. From this perspective, the culture of an organisation is more enduring than the individuals within it, but subject to accommodation as the fluid human resource flows

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<sup>59</sup> Frost, P. J, Moore, L. F, Lundberg, C. C. and Martin, J. 1991. Reframing Organizational Culture. P25.

<sup>60</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P601.

through it and interacts with the culture that exists. The type of ownership will also have an impact on the culture of the organisation. For example, a small company owned by an authoritarian figure will be managed in a totally different way from that owned by a humane bureaucrat. The corresponding cultures will also be different. Working for a US company compared to a French equivalent will be different because the cultures and norms of the owners will be different. In these last examples, the national cultures from the location in which the headquarters is based would tend to influence the norms, preferences, procedures and policies adopted throughout the organisation.

**Size:** Size influences culture if for no other reason than the formality required in the operation of larger organisations. This does not automatically imply that large organisations have cultures that are “better” or “worse” than small organisations. They are simply different as a natural function of the scale of operations.

**Technology:** An organisation that specialises in the use of high technology within its operations will emphasise the technical skills of employees in the values that govern its culture. This would form a marked contrast with a company in the service sector where the emphasis is on personal service in dealing with customers or clients that would value a completely different set of characteristics and values.

**Goals and objectives:** What the organisation sets out to achieve will also influence the culture. For example, the organisation that seeks to become the best in customer service within its industry will seek to incorporate values inherent in that idea into the culture. The converse is also true, that culture can influence the objectives being sought. For example, universities find it very difficult to balance and reconcile the need to be commercial in “selling” educational services, at the same time to promulgate the development of individuals, pursue research excellence, and encourage academic freedom.

**Environment:** The organisational environment is made up of several independent and interdependent elements. There are the customer markets, the supplier markets, the financial markets, governmental influences, competitors and the environmental lobby, to name just a few. The way in which an organisation chooses to interact with each of the elements in its environment will influence how it organises itself and shapes its culture.

**People:** The preferred style of work among senior managers and the preferences among employees as to how they wish to be managed both interact in the cultural dimension. If management attempt to enforce a culture that is unacceptable to employees, there will undoubtedly be a reaction, examples being industrial action, sabotage, high labour turnover, low productivity, low quality and a need for tight supervision and control. Equally, employees who attempt to force management to accept their culture are also courting danger, particularly if the preference is overtly anti-managerial. Management may decide that the cost of operations in such a volatile, hostile and confrontational environment outweigh the benefits and relocate.<sup>61</sup>

## **2.11 Organisational culture's impact**

R. H. Kilmann, in an essay entitled 'Corporate Culture', states that organisational culture provides "meaning, direction and mobilization, a social energy that moves the corporation into either productive action or destruction".<sup>62</sup>

This view is supported by Edgar Schein and Naomi Brehm, who point out that companies "...may devise new strategies which make sense from a financial, marketing or product point of view, but which ultimately fail because they require new values and assumptions. [In this case] strategy is... limited by culture".<sup>63</sup>

In other words, the cultures of organisations can be positive or negative. An organisation's culture is positive if it helps to improve productivity. A negative culture can hinder behaviour, disrupt group effectiveness, and hamper the impact of a well-designed organisation.

### **2.11.1 Toxic corporate cultures**

The following corporate cultures are described as toxic because they are dysfunctional in terms of relationships and adjustment to changing times. They undermine the social/spiritual capital, poison the work climate and contribute to organisational decline.

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<sup>61</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P604.

<sup>62</sup> Shaw, M. 1997. Finding the Rainbow: Organisational Culture, The Key to Corporate Performance. P26.

<sup>63</sup> Shaw, M. 1997. Finding the Rainbow: Organisational Culture, The Key to Corporate Performance. P27.

***Authoritarian-hierarchical culture:*** The big boss alone makes all the major decisions behind closed doors. Even when the decisions are harmful to the company, no one dares to challenge the boss. The standard mode of operation is command and control, with no regard to the wellbeing of employees or the future of the company.

In this kind of culture, employees are to be controlled, manipulated and occasionally pacified like little children. Workers are motivated by fear rather than love for the company or passion for the work. They are expected to do what they are told without questioning. The main criterion for promotion is loyalty to the boss, rather than competence and commitment. As a result, star performers who dare to question some of the administration's decisions are sidelined or let go, while those who obey the boss blindly and who are willing to be hatchet men get the nod for promotion.

Hierarchies are not necessarily bad in and of themselves. Some sort of hierarchy in terms of decision-making and responsibility is always inevitable. However, when hierarchies are used to control and abuse workers, problems inevitably occur. Hierarchies without accountability tend to have a corrupting influence on ambitious, autocratic leaders. When the boss is dysfunctional and has the power to impose his selfish, irrational decisions on others, the entire company suffers.

***Competing-conflictive culture:*** There is always some sort of power struggle going on. Leaders are plotting against each other and stabbing each other in the back. Different units and even different individuals within a unit are undercutting, backstabbing each other to gain some competitive advantage. There is a lack of trust and cooperation. People often hide important information from each other and even sabotage each other's efforts to ensure that only they will come up on top.

There is no regard for the larger picture and the overall goal of the company. It is every man for himself. Both management and workers are obsessed with their own survival and self-interests. Consequently, the organisation is fragmented and there is a lot of waste of valuable resources because of duplication and sabotage. Such intense competition within the company creates a climate of divisiveness, conflict and mistrust. A house divided cannot long survive in a highly competitive globe economy.

***Laissez faire culture:*** There is a vacuum at the top, either because the leader is incompetent and ignorant, or because he is too preoccupied with his personal affairs to pay much attention to the company. Consequently, there is an absence of direction, standards and expectations. When there is an absence of effective leadership, each department, in fact, each individual does whatever they want. The leadership void will also tempt ambitious individuals to seize power to benefit themselves. Chaos and confusion are the order of the day. No one has a clear sense where the company is going. Often, employees receive conflicting directions and signals. Often, decisions are made in the morning only to be nullified in the afternoon. Given the lack of direction, oversight and accountability it is not surprising that productivity declines all across-the-board. In this kind of culture, the company either disintegrates or becomes an easy target for a hostile takeover.

***Dishonest- corrupt culture:*** In this culture, greed is good and money is God. There is little regard for ethics or the law. Such attitudes permeate the whole company from the top down to individual workers. Bribery, cheating, and fraudulent practices are widespread. Creative accounting and misleading profit reports are a matter of routine. Denial, rationalisation and reputation management enable them carry on their unethical and often illegal activities until they are caught red-handed or exposed by correcting forces of the market. When management are blinded by greed and ambition, their judgment becomes distorted and their decisions become seriously flawed; as a result, they often cross the line without being aware of it. Enron serves as a good example.

***Rigid- traditional culture:*** There is a strong resistance to any kind of change. The leadership clings to out-dated methods and traditions, unwilling to adapt to the changes in the market place. They live in past glory and any change poses a threat to their deeply entrenched values and their sense of security. Workers are discouraged or even reprimanded for suggesting innovative ideas. Their accounting, marketing and delivery systems are no longer competitive with the fast-paced technology-driven market place. Their products and services have not responded to changing market demands. Their mantra is "We have always done things this way". As a result, the world passes them by and eventually they are left with an empty shell of the former self.

The above five types of toxic cultures are not mutually exclusive. For example, a corporation may be both authoritarian and traditional. Similarly, a corporation can be both authoritarian and corrupt. When a company suffers from a multiple of diseases, drastic operations are needed to save it from demise. Unfortunately, not many managers are competent in the diagnosis and treatment of toxic corporate cultures.

### **2.11.2 Healthy corporate cultures**

***Progressive- adaptive culture:*** There is openness to new ideas and a willingness to take risk and adopt innovations. It is a culture that adjusts quickly to shifting market conditions. It does not value the certainty of remaining the same; the only certainty it values is that the company is future-oriented and innovative. It is confident in catching and riding the waves of change.

It is a culture compatible with the entrepreneurial spirit of creativity, boldness and taking ownership. The management strives to be on the cutting edge, and encourages continuous development of workers. There is a pervasive, restless creative energy, constantly seeking and creating new ideas and new markets. The company celebrates every innovation, and every discovery. Excitement is in the air. Employees are all caught up in the adventure. This culture is the opposite of the rigid- traditional culture.

***Purpose- driven culture:*** The leadership articulates and crystallises the purpose of the company effectively, so that there is a common purpose, a shared vision for all the workers. Everyone knows what the core values and priorities are, and everyone knows where the company is going. Workers are highly motivated, because they are committed to the same set of core values. More importantly, the overarching purpose tends to go beyond the bottom line. All great companies endure because they serve a higher purpose.

One example is Anita Roddick, founder of The Body Shop. She has a clear vision, a higher purpose for her company: The Body Shop will be an ethical, caring company that will care about the environment, human rights, animal protection and the community. This vision is incorporated into all aspects of her corporate goals and practices.

***Community-oriented culture:*** There is a strong emphasis on collectivity and cooperation. The leadership attempts to build a community, in which people respect, support each other, and enjoy working together. This is very different from the kind of authoritarian collectivism in communist states, where the State controls the business, and everyone has to agree with and work for the State.

A community-oriented culture goes beyond team building and aspires to create an authentic community in which every worker is treated as a valuable member. Community building is more extensive than team building. It requires that members from different work groups treat each another in a positive, supportive way in order to boost morale. Such a community requires collaboration and communication throughout the organisation. Management involves and empowers all staff members in a combined effort to improve efficiency and productivity, such as required by Total Quality Management.

For teamwork to be effective, team building training becomes an important part of personnel development. Typically, in team building, groups are created in each work area, group members interact, and work together to identify and resolve issues that affect individual and group performance. Guidelines are provided for interaction among team members. Team members work together in a mutually supportive atmosphere. Team members know the role they play in achievement the end goal.

To create a sense of community, management need to provide a trusting and safe environment, in which workers are free to express their ideas rather than try to "fit in" and please the managers. The emphasis on community building also creates a climate of cooperative problem solving and a willingness to share information and expertise. In such a company, there is a healthy acceptance of diversity and a willingness to listen and to learn from others. A community-oriented culture is just the opposite of a competing- conflictive culture.

***People-centred culture:*** There is a genuine caring for each worker in the organisation. Everyone is valued and validated, regardless of their positions in the company. The organisation cares for the whole person - body, soul and mind in terms of recognising workers' basic needs for learning and growth, for belonging and being connected, as well as the need for

meaning and spirituality. Each worker is encouraged to develop his or her full potentials, personally and professionally. Such a culture will create a climate of mutual respect and genuine civility.

Organisational care for employees is based on organisations' deep-seated core values and practices. The focus is on meeting workers' needs, promoting their best interests, and valuing their contributions (Liedtka, 1996; 1999). It involves setting up the necessary infrastructure to facilitate care giving, such as providing support systems, and employee assistance and development programmes.

People-centred organisations which embrace the core ideology of caring may have different ways of expressing its core values (Collins & Porras, 1994; O'Reilly & Pfeffer, 2000), nevertheless, caring needs to be implemented on a consistent basis. For example, HP's core ideology of "Respect and concern for individual employees" and 3M's core value of "Respect for individual initiative" are incorporated in all aspects of organisational practices. Herb Kelleher of Southwest Airlines is another example. He treats every employee as a valuable member of the team. As Chairman and CEO, he has created a positive climate of safety, trust and respect.

The above four cultures are positive, because they create a positive work climate, which is conducive to productivity and job satisfaction. They contribute to high performance without explicitly linking reward to performance. The ideal company should possess the attributes of all four types of healthy corporate cultures.

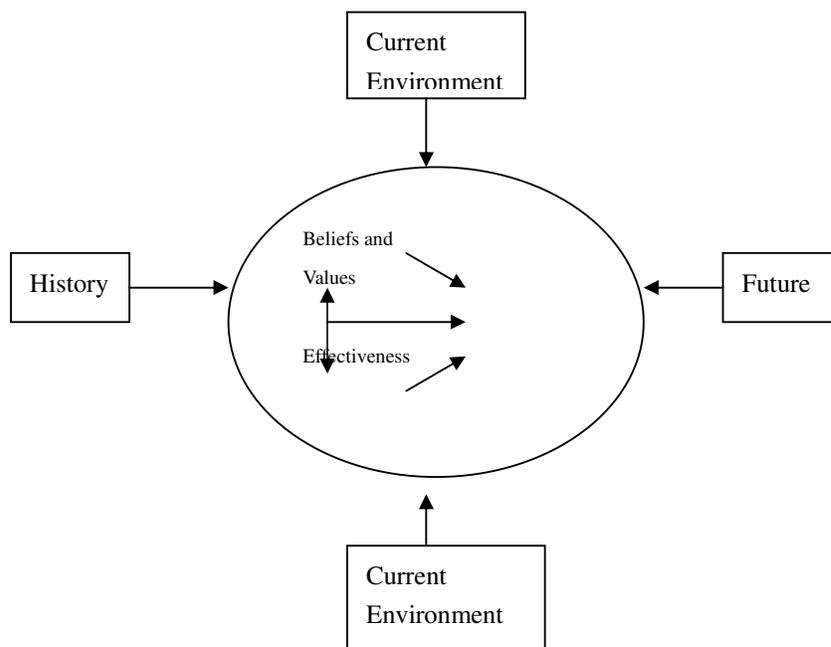
## ***2.12 The relationship between an organisation's culture and effectiveness***

### **2.12.1 A Theory of Organisational Culture and Effectiveness**

Linking management practices with underlying assumptions and beliefs is an important but often neglected step in the study of organisational culture and effectiveness. The values and beliefs of an organisation give rise to a set of management practice- concrete activities that are usually rooted in the values of the organisation. The activities stem from and reinforce the dominant

values and beliefs of the organisation. Concrete policies and practices are often difficult to separate from the core values and beliefs and the system of shared meaning that supports them. This is part of the reason why organisational culture often seems to be both mystical and practical at the same time.<sup>64</sup>

Furthermore, most of the implicit ideas about the relationship between culture and effectiveness presented to date have attributed the success of organisations to some combination of values and beliefs, policies and practices, and the relationship between the two. These ideas suggest a general framework such as the one presented in Figure 2.2. Within this general framework, there are several ways that the relationship between culture and effectiveness might be viewed.<sup>65</sup>



**Figure 2.2: A Framework for studying organisational culture and effectiveness<sup>66</sup>**

*Effectiveness (or lack of it) is a function of the values and beliefs held by the members of an organisation:* Specific values, or agreement on specific values, influence effectiveness.

This idea is perhaps the most mystical explanation of why an organisation's culture should

<sup>64</sup> Denison, D. R. 1990. Corporate Culture and Organizational Effectiveness. P5.

<sup>65</sup> Denison, D. R. 1990. Corporate Culture and Organizational Effectiveness. P5.

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affect its performance. Nonetheless, strongly held beliefs, a sense of mission, or the consistency that comes from a set of shared values and beliefs do provide a fundamental basis for coordinated action within an organisation.

***Effectiveness is a function of the policies and practices used by an organisation:*** Specific practices, particularly as they pertain to the management of human resources and the internal environment of a firm, influence performance and effectiveness. Certain ways of resolving conflict, planning a strategy, designing work, or making decisions will result in better performance in the short or long run.

***Effectiveness is a function of translating the core values and beliefs into policies and practices in a consistent manner:*** The “vision” of a leader must be operationalised through action. Building a “strong culture” implies that values and actions are highly consistent. This form of consistency has often been mentioned as a source of organisational strength and as a way of improving performance and effectiveness.

***Effectiveness is a function of the interrelation of core values and beliefs, organisational policies and practices, and the business environment of the organisation:*** Thus, no generalisations can be made about culture and effectiveness that do not incorporate the relation of the culture to the business environment. Particular environments may create, over time, a particular type of culture, or may require a particular type of culture for an organisation to survive.<sup>67</sup>

### **2.12.2 Gibson, Ivancevich and Donnelly’s research on culture and effectiveness**

In Gibson, Ivancevich and Donnelly’s research on organisational behaviour, they summarise a concept of managerial work, from which we can see the cultural elements and their relations to an organisation’s effectiveness.

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<sup>67</sup> Denison, D. R. 1990. Corporate Culture and Organizational Effectiveness. P6.

**Table 2.6: Relationships among the Management Functions and Individual, Group, and Organisational Effectiveness.<sup>68</sup>**

Management Functions	Sources of Effectiveness		
	Individuals	Groups	Organisations
Planning	Objectives	Goals	Missions
Organising	Job designs Delegated authority	Department bases Department size	Integrative methods and process
Leading	Person-centred influence	Group-centred influence	Entity-centred influence
Controlling	Individual standards of performance	Group standards of performance	Organisation standards of performance

## **2.13 Levels of organisational culture**

### **2.13.1 Kotter and Hestett's Model**

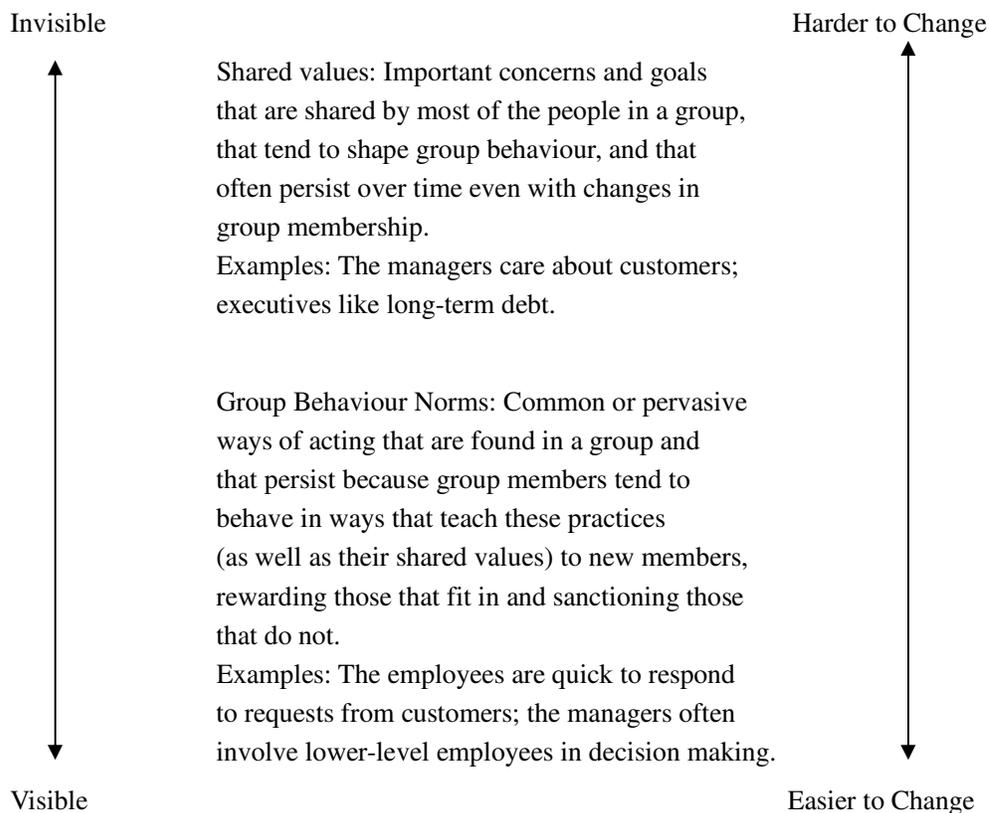
In their work “Corporate Culture and Performance”, Kotter and Hestett claim their understanding of organisational culture; they say that it is helpful to think of organisational culture as having two levels, which differ in terms of their visibility and their resistance to change. At the deeper and less visible level, culture refers to values that are shared by the people in a group and that tend to persist over time even when group membership changes. These notions about what is important in life can vary greatly in different companies; in some settings people care deeply about money, in others about technological innovation or employee well-being. At this level, culture can be extremely difficult to change, in part because group members are often unaware of many of the values that bind them together.

At the more visible level, culture represents the behaviour patterns or style of an organisation that new employees are automatically encouraged to follow by their fellow employees. They say, for example, that people in one group have been, for years, “hard workers,” those in another are “very friendly” to strangers, and those in a third always wear very conservative clothes.

<sup>68</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. 9th Edition. P23.

Culture, in this sense, is still tough to change, but not nearly as difficult as at the level of the basic values.

Each level of culture has a natural tendency to influence the other. This is perhaps most obvious in terms of shared values influencing a group's behaviour— a commitment to customers, for example, influencing how quickly individuals tend to respond to customer complaints. But causality can flow in the other direction too— behaviour and practices can influence values. When employees who have never had any contact with the marketplace begin to interact with customers and their problems and needs, they often begin to value the interests of customers more highly (see Figure 2.3).<sup>69</sup>



**Figure 2.3 Culture in an Organisation**<sup>70</sup>

<sup>69</sup> Kotter, J.P. and Heskett, J.L. 1992. Corporate Culture and Performance. P4.

<sup>70</sup> Kotter, J.P. and Heskett, J.L. 1992. Corporate Culture and Performance. P5.

### 2.13.2 Lundberg's Model

Lundberg (1985), following on from the work of Schein (1981, 1985) and Dyer (1982), provides a useful description of the range of topics that culture researchers have typically addressed. This description presents the idea that there are four levels of culture that, when taken together, are a beginning step in operationalising the concept.

**Artefacts:** The tangible aspects of culture shared by members of an organisation. The verbal, behavioural, and physical artefacts are the surface manifestations of organisational culture. Language, stories, and myths are examples of verbal artefacts and are represented in rituals and ceremonies. The technology and art exhibited by members are where physical artefacts are found.

**Perspectives:** The socially shared rules and norms applicable to a given context. Perspectives may be viewed as the solutions to common problems encountered by organisational members; they involve how members define and interpret situations of organisational life and prescribe the bounds of acceptable behaviour. Perspectives are relatively concrete, and members are usually aware of them.

**Values:** The evaluational base that organisational members use for judging situations, acts, objects, and people. Values reflect the real goals, ideals, and standard, as well as the sins of an organisation, and represent members' preferred means of resolving life's problems. Values are more abstract than perspectives, although experienced members sometimes articulate them more or less in statements of organisational "philosophy" and "mission".

**Assumptions:** The tacit beliefs that members hold about themselves and others, their relationships to other persons, and the nature of the organisation in which they find themselves. Assumptions are the non-conscious underpinnings of the first three levels—that is, the implicit, abstract axioms that determine the more explicit system of meanings.<sup>71</sup>

These four separate levels of culture are arranged in order of abstractness, with verbal, behavioural, and physical artefacts as the most readily apparent surface manifestations of culture.

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<sup>71</sup> Denison, D. R. 1990. Corporate Culture and Organizational Effectiveness. P32.

### 2.13.3 Schein's Organisational Culture Model

The most popular and well-accepted theory on levels of culture is Schein's three-level culture model. In this model, there are three levels of organisational culture: artefacts, values and basic assumptions. The first level consists of visible but hard to decipher items, such as organisational structures and processes; the second level is espoused justification, such as strategies, goals and philosophies; the third level concerns unconscious, taken-for-granted beliefs, habits of perception, thought and feeling; they are the ultimate source of values and action.

Schein's culture model summarises these issues by acknowledging that culture is manifested at different levels and can therefore be studied at different levels, provided one has understood the deeper levels. In other words, if I understand the pattern of shared basic assumptions of a group, I can decipher its espoused values and its behavioural rituals. But the reverse does not work. One cannot infer the assumptions unless one has done extensive ethnographic research.

Schein's theory on Levels of Culture first appeared on an article "Does Japanese management style have a message for American managers?" In this article, he analyses Japanese management methods and their underlying cultural presumptions to learn about the hidden premises of U.S. managerial methods and its own presumptions.

He suggests that, in thinking about culture, one should distinguish surface manifestations from the essential underlying premises that tie together the elements of any given culture. As shown in Figure 2.4, there are at least three interconnected levels:

**Artefacts and creations** are the visible manifestations of culture (which include its language, art, architecture, technology, and other material outputs) and its visible system of organising interpersonal relationships, status levels, sex roles, age roles, etc. Though this level is highly visible, it is often not decipherable in the sense that the newcomer to the culture cannot figure out "what is really going on." What values or assumptions tie together the various visible manifestations?

**Values and ideology** are the rules, principles, norms, values, morals, and ethics that guide both the ends of a given society (group) and the means by which to accomplish them. Values

and ideological statements usually define what national goals, intergroup relationships, and interpersonal relationships are appropriate to strive for; they are taught to children and reinforced in adults. Generally, the level of culture we first encounter is how to achieve the goals (i.e., the appropriate rules of conduct that govern relationships between nations, groups, and individuals within the society). This is where differences are felt most strongly because of the penalties associated with behaving inappropriately. This level of culture, although partly conscious and unconscious, can be revealed if people reflect analytically about their own behaviour.

*Basic assumptions and premises* are the underlying and typically unconscious assumptions about the nature of truth and reality, the nature of human nature, “man’s” relationship to nature, “man’s” relationship to “man”, the nature of time, and the nature of space. These assumptions create the cultural core or essence, provide the key to deciphering the values and artefacts, and create the patterning that characterises cultural phenomena. It is also this level, however, which is hardest to examine, because it is taken for granted and, hence, outside of awareness.<sup>72</sup>

#### **2.13.4 Gibson, Ivancevich and Donnelly’s comment on Schein’s model**

In Gibson, Ivancevich and Donnelly’s work on “organisations’ behaviour, structure and processes”, they present their agreement with Schein’s organisational model and interpreted it with Figure 2.5.

They claim that Organisational culture is what the employees perceive and how this perception creates a pattern of beliefs, values, and expectations. Edgar Schein defined culture as

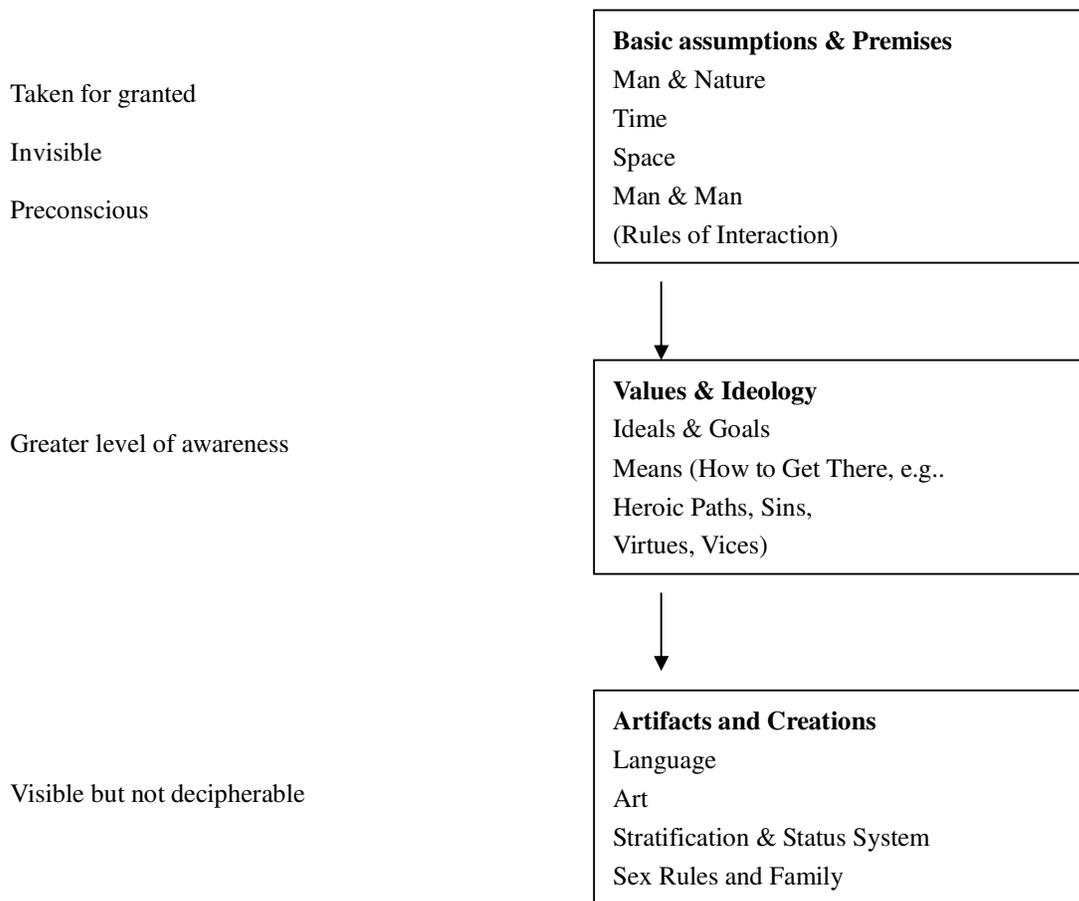
“ A pattern of basic assumptions- invented, discovered, or developed by a given group as it learns to cope with the problems of external adaptation and internal integration- that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.”<sup>73</sup>

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<sup>72</sup> Schein, E.H. 1981. “Does Japanese Management Style Have A Message for American Managers?” Sloan Management Review. P64.

<sup>73</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. P30.

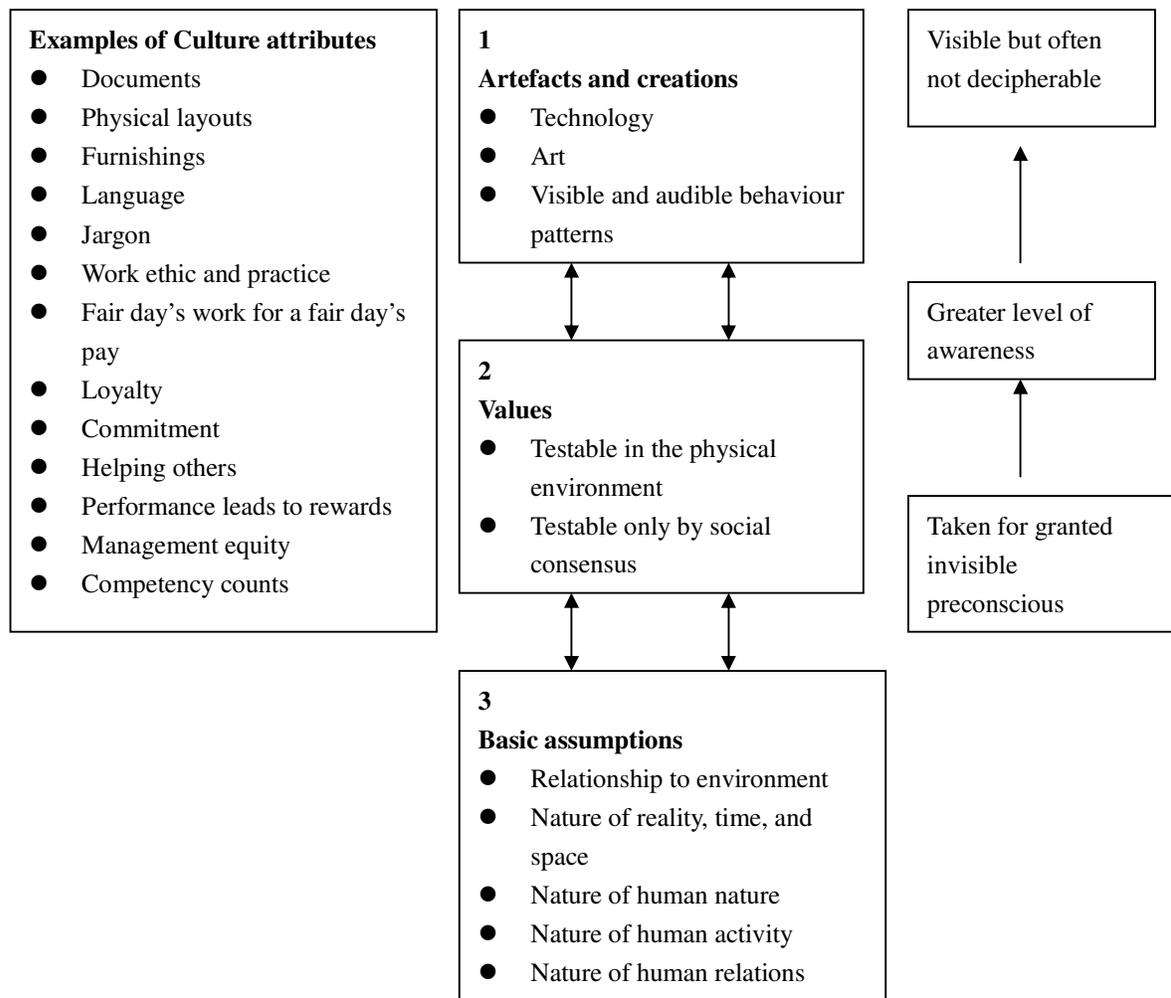
The Schein definition points out that culture involves assumptions, adaptations, perceptions, and learning. He further contends that an organisation’s culture, such as Walt Disney’s or J.C. Penney’s or Compaq Computer’s has three layers. Layer 1 includes artefacts and creations that are visible but often not interpretable. An annual report, a newsletter, wall dividers between workers, and furnishings are examples of artefacts and creations. At Layer 2 are values, or the things that are important to people. Values are conscious, affective desires or wants. In Layer 3 are the basic assumptions people make that guide their behaviour. Included in this layer are assumptions that tell individuals how to perceive, think about work, performance goals, human relationships and the performance of colleagues.<sup>74</sup> Figure 2.5 presents the Schein three-layer model of organisational culture.



**Figure 2.4: The Levels of Culture<sup>75</sup>**

<sup>74</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. P30.

<sup>75</sup> Schein, E.H. 1981. “Does Japanese Management Style Have A Message for American Managers?” Sloan



**Figure 2.5: Schein's Three-Layer Organisational Culture Model<sup>76</sup>**

### 2.13.5 Interpretation of Three layers of Culture in Schein's model

Many definitions of organisational culture have been proposed. Most of them agree that there are several levels of culture and that these levels differ in terms of their visibility and their ability to be changed. The definition of organisational culture is a pattern of basic assumptions that are considered valid and that are taught to new members as the way to perceive, think, and feel in the organisation.

Management Review. P64.

<sup>76</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. P31.

Edgar Schein, in his comprehensive book on organisational culture and leadership, suggests that organisational culture has three levels. The levels range from visible artefacts and creations to testable values to invisible and even preconscious basic assumptions. To achieve a complete understanding of an organisation's culture, all three levels must be studied.

The first level, and most clearly visible one, of culture is composed by artefacts, technology, art, audible and overt organisational behaviour patterns and other aspects of organisational culture that are easy to see but hard to interpret without an understanding of the other levels (Ott, 1989). This level also includes such things as the written and spoken language, annual reports, furnishings, etc.

The second and deeper level of organisational culture reveals how people communicate, explain, rationalise and justify what they say and do. At this level, Schein (1985) identifies values or a sense of what ought to be and what is considered important to employees.

The third level goes the deepest and consists of people's ideas and assumptions that govern and guide their communications, justifications and behaviour. Here, the espoused values and the articulation of these values into a philosophy of operating is found (Schein, 1985).<sup>77</sup>

### **Artefacts and Creations**

At the surface is the level of artefacts and creations, which includes all the phenomena that one sees, hears, and feels when one encounters a new group with an unfamiliar culture. In other words, symbols of culture in the physical and social work environment are called artefacts and creations. They are the most visible and accessible level of culture. The key to understanding culture through artefacts lies in figuring out what they mean. Artefacts and creations are also the most frequently studied manifestation of organisational culture, perhaps because of their accessibility. Among the artefacts and creations of culture are personal enactment, ceremonies and rites, stories, rituals, and symbols. Namely, artefacts and creations include the visible products of the group, such as the architecture of its physical environment; its language; its technology and products; its artistic creations; its style, as embodied in clothing, manners of

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<sup>77</sup> Schlechter, A. F. 2000. The Relationship between Organizational Culture and Organizational Performance- A study conducted within a large South African retail organization. P28.

address, emotional displays, and myths and stories told about the organisation; its published lists of values; its observable rituals and ceremonies; and so on.

The “climate” of the group is an artefact of the deeper cultural levels, as is the visible behaviour of its members. Artefacts also include, for purposes of cultural analysis, the organisational processes by which such behaviour is made routine, and structural elements such as charters, formal descriptions of how the organisation works, and organisation charts.

The most important point to be made about this level of the culture is that it is both easy to observe and very difficult to decipher. The Egyptians and the Mayans both built highly visible pyramids, but the meaning of pyramids in each culture was very different— tombs in one, temples as well as tombs in the other. In other words, observers can describe what they see and feel, but cannot reconstruct from that alone what those things mean in the given group, or whether they even reflect important underlying assumptions.

On the other hand, one school of thought argues that one’s own response to physical artefacts such as buildings and office layouts can lead to the identification of major images and root metaphors that reflect the deepest level of the culture (Gagliardi, 1990). This kind of immediate insight would be especially relevant if the organisation one is experiencing is in the same larger culture as the researcher. The problem is that symbols are ambiguous, and one can only test one’s insight into what something may mean if one has also experienced the culture at the deeper levels of values and assumptions.

It is especially dangerous to try to infer the deeper assumptions from artefacts alone, because one’s interpretations will inevitably be projections of one’s own feelings and reactions. For example, when one sees a very informal, loose organisation, one may interpret that as inefficient if one’s own background is based on the assumption that informality means playing around and not working. Or, alternatively, if one sees a very formal organisation, one may interpret that to be a sign of lack of innovative capacity, if one’s own experience is based on the assumption that formality means bureaucracy and formalisation.

Every facet of a group’s life produces artefacts, creating the problem of classification. In reading cultural descriptions, one often notes that different observers choose to report on different sorts

of artefacts, leading to no comparable descriptions. Anthropologists have developed classification systems, but these tend to be so vast and detailed that cultural essence becomes difficult to discern.

If the observer lives in the group long enough, the meanings of artefacts gradually become clear. If, however, one wants to achieve this level of understanding more quickly, one can attempt to analyse the espoused values, norms, and rules that provide that day-to-day operating principles by which the members of the group guide their behaviour. This kind of inquiry takes us to the next level of cultural analysis.<sup>78</sup>

### **Values and Ideology**

Values and Ideology compose the second, and deeper, level of culture. They reflect a person's understanding, beliefs of what should be or should not be. Values and Ideology are often consciously articulated, both in conversation and in a company's mission statement or annual report. However, there may be a difference between a company's espoused values (what the members say they value) and its enacted values (values reflected in the way the members actually behave). Values also may be reflected in the behaviour of individuals, which is an artefact of culture.

All group learning ultimately reflects someone's original beliefs and values, their sense of what ought to be, as distinct from what is. When a group is first created or when it faces a new task, issue, or problem, the first solution proposed to deal with it reflects some individual's own assumptions about what is right or wrong, what will work or not work. Those individuals who prevail, who can influence the group to adopt a certain approach to the problem, will later be identified as leaders or founders, but the group does not yet have any shared knowledge as a group because it has not yet taken a common action in reference to whatever it is supposed to do. Whatever is proposed will only be perceived as the leader wants it to be. Until the group has taken some joint action and together observed the outcome of that action, there is not yet a shared basis for determining whether what the leader wants will turn out to be valid.

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<sup>78</sup> Schein, E.H. 2004. Organizational Culture and Leadership. P27.

For example, in a young business, if sales begin to decline a manager may say “We must increase advertising” because of her belief that advertising always increases sales. The group, never having experienced this situation before, will hear that assertion as a statement of that manager’s beliefs and values: “She believes that when one is in trouble it is a good thing to increase advertising.” What the leader initially proposes, therefore, cannot have any status other than a value to be questioned, debated, challenged, and tested.

If the manager convinces the group to act on her belief, and if the solution works, and if the group has a shared perception of that success, when the perceived value that advertising is good gradually becomes transformed: first into a shared value or belief, and ultimately into a shared assumption (if actions based on it continue to be successful). If this transformation process occurs, group members will tend to forget that originally they were not sure and that the proposed course of action was at an earlier time just a proposal to be debated and confronted.

Not all beliefs and values undergo such transformation. First, the solution based on a given value may not work reliably. Only those beliefs and values that can be empirically tested and that continue to work reliably in solving the group’s problems will become transformed into assumptions. Second, certain value domains— those dealing with the less controllable elements of the environment or with aesthetic or moral matters— may not be testable at all. In such cases, consensus through social validation is still possible, but it is not automatic.

By social validation, I mean that certain values are confirmed only by the shared social experience of a group. For example, any given culture cannot prove that its religion and moral system are superior to another culture’s religion and moral system, but if the members reinforce each other’s beliefs and values, they come to be taken for granted. Those who fail to accept such beliefs and values run the risk of “excommunication” – of being thrown out of the group. Such beliefs and values typically involve the group’s internal relations; the test of whether they work or not is how comfortable and anxiety-free members are when they abide by them. Social validation also applies to those broader values that are not testable, such as ethics and aesthetics.

In these realms the group learns that certain beliefs and values, as initially promulgated by prophets, founders, and leaders, “work” in the sense of reducing uncertainty in critical areas of the group’s functioning. And, as they continue to work, they gradually become transformed into

non-discussible assumptions supported by articulated sets of beliefs, norms, and operational rules of behaviour. The derived beliefs and moral and ethical rules remain conscious and are explicitly articulated because they serve the normative or moral function of guiding members of the group in how to deal with certain key situations, and in training new members how to behave. A set of beliefs and values that become embodied in an ideology or organisational philosophy thus can serve as a guide and as a way of dealing with the uncertainty of intrinsically uncontrollable or difficult events. An example of such an ideology is Hewlett-Packard's The HP Way (Packard, 1995).

Beliefs and values at this conscious level will predict much of the behaviour that can be observed at the artefacts level. But if those beliefs and values are not based on prior learning, they may also reflect only what Argyris and Schon (1978) have called "espoused theories," which predict well enough what people will say in a variety of situations but which may be out of line with what they will actually do in situations in which those beliefs and values should, in fact, be operating. Thus, a company may say that it values people and that it has high quality standards for its products, but its record in that regard may contradict what it says.

If the espoused beliefs and values are reasonably congruent with the underlying assumptions, then the articulation of those values into a philosophy of operating can be helpful in bringing the group together, serving as a source of identity and core mission. But in analysing beliefs and values one must discriminate carefully between those that are congruent with underlying assumptions and those that are, in effect, either rationalisations or only aspirations for the future. Often such lists of beliefs and values are so abstract that they can be mutually contradictory, as when a company claims to be equally concerned about stockholders, employees, and customers, or when it claims both highest quality and lowest cost. Espoused beliefs and values often leave large areas of behaviour unexplained, leaving us with a feeling that we understand a piece of the culture but still do not have the culture as such in hand. To get at that deeper lever of understanding, to decipher the pattern, and to predict future behaviour correctly, we have to understand more fully the category of basic underlying assumptions.<sup>79</sup>

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<sup>79</sup> Schein, E.H. 2004. Organizational Culture and Leadership. P30.

### **Basic Assumptions and Premises**

Basic assumptions and premises are the deeply held beliefs that guide behaviour and tell members of an organisation how to perceive and think about things. As the deepest and most fundamental level of an organisation's culture, according to Edgar Schein, they are the essence of culture. They are held so strongly that it would be unthinkable for a member to behave in any fashion that would violate them. Another characteristic of assumptions is that they are often unconscious. Members of the organisation may not be aware of their assumptions and may be reluctant or unable to discuss them or change them.

When a solution to a problem works repeatedly, it comes to be taken for granted. That which once was a hypothesis, supported only by a hunch or a value, gradually comes to be treated as a reality. We come to believe that nature really works this way. Basic assumptions, in this sense, are different from what some anthropologists called "dominant value orientations" in that such dominant orientations reflect the preferred solution among several basic alternatives, but all the alternatives are still visible in the culture, and any given member of the culture could, from time to time, behave according to variant as well as dominant orientations (Kluckhohn and Strodtbeck, 1961).

Basic assumptions, in the sense in which Schein wants to define that concept, have become so taken for granted that one finds little variation within a social unit. This degree of consensus results from repeated success in implementing certain beliefs and values, as previously described. In fact, if a basic assumption comes to be strongly held in a group, members will find behaviour based on any other premise inconceivable. For example, a group whose basic assumption is that the individual's rights supersede those of the group members would find it inconceivable that members would commit suicide or in some other way sacrifice themselves to the group even if they had dishonoured the group. In a capitalist country, it is inconceivable that one might design a company to operate consistently at a financial loss, or that it does not matter whether or not a product works. In an occupation such as engineering, it would be inconceivable to deliberately design something that is unsafe; it is a taken-for-granted assumption that things should be safe. Basic assumptions, in this sense, are similar to what Argyris has identified as "theories-in-use" – the implicit assumptions that actually guide behaviour, that tell group

members how to perceive, think about, and feel about things (Argyris, 1976; Argyris & Schon, 1974).

Basic assumptions, like theories-in-use, tend to be non-confrontable and non-debatable, and hence are extremely difficult to change. To learn something new in this realm requires us to resurrect, re-examine, and possibly change some of the more stable portions of our cognitive structure – a process that Argyris and others have called “double-loop learning,” or “frame breaking” (Argyris et al., 1985; Bartunek, 1984). Such learning is intrinsically difficult because the re-examination of basic assumptions temporarily destabilises our cognitive and interpersonal world, releasing large quantities of basic anxiety.

Rather than tolerating such anxiety levels, we tend to want to perceive the events around us as congruent with our assumptions, even if that means distorting, denying, projecting, or in other ways falsifying to ourselves what may be going on around us. It is in this psychological process that culture has its ultimate power. Culture as a set of basic assumptions defines for us what to pay attention to, what things mean, how to react emotionally to what is going on, and what actions to take in various kinds of situations. Once we have developed an integrated set of such assumptions – a “thought world” or “mental map” – we will be maximally comfortable with others who share the same set of assumptions and very uncomfortable and vulnerable in situations where different assumptions operate, because either we will not understand what is going on, or, worse, we will misperceive and misinterpret the actions of others (Douglas, 1986).

The human mind needs cognitive stability; therefore, any challenge or questioning of a basic assumption will release anxiety and defensiveness. In this sense, the shared basic assumptions that make up the culture of a group can be thought of at both the individual and the group level as psychological cognitive defence mechanisms that permit the group to continue to function. Recognising this connection is important when one thinks about changing aspects of a group’s culture, for it is difficult to do that as to change an individual’s pattern of defence mechanisms. We can also think of culture at this level as the group’s DNA, so if new learning or growth is required, the genes have to be there to make such growth possible and the autoimmune system has to be neutralised to sustain new growth. In any case, the two keys to successful culture change are (1) the management of the large amounts of anxiety that accompany any relearning at

this level and (2) the assessment of whether the genetic potential for the new learning is even present.

To illustrate how unconscious assumptions can distort data, consider the following example. If we assume, based on past experience or education, that other people will take advantage of us whenever they have an opportunity, we expect to be taken advantage of and we then interpret the behaviour of others in a way that coincides with those expectations. We observe people sitting in a seemingly idle posture at their desk and interpret their behaviour as “loafing” rather than “thinking out an important problem.” We perceive absence from work as “shirking” rather than “doing work at home.”

If this is not only a personal assumption but also one that is shared and thus part of the culture of an organisation, we will discuss with others what to do about our “lazy” workforce and institute tight controls to ensure that people are at their desks and busy. If employees suggest that they do some of their work at home, we will be uncomfortable and probably deny the request because we will figure that at home they would loaf (Bailyn, 1992; Perin, 1991).

In contrast, if we assume that everyone is highly motivated and competent, we will act in accordance with that assumption by encouraging people to work at their own pace and in their own way. If someone is discovered to be unproductive in such an organisation, we will make the assumption that there is a mismatch between the person and the job assignment, not that the person is lazy or incompetent. If the employee wants to work at home, we will perceive that as evidence of his wanting to be productive even if circumstances required him to be at home.

In both cases there is the potential for distortion, in that the cynical manager will not perceive how highly motivated some of the subordinates really are, and the idealistic manager will not perceive that there are subordinates who are lazy and who are taking advantage of the situation. As McGregor noted long ago, such assumptions about “human nature” become the basis of management and control systems that perpetuate themselves because if people are treated consistently in terms of certain basic assumptions, they come eventually to behave according to those assumptions in order to make their world stable and predictable (McGregor, 1960).

Unconscious assumptions sometimes lead to ridiculously tragic situations, as illustrated by a common problem experienced by American supervisors in some Asian countries. A manager who comes from an American pragmatic tradition assumes and takes it for granted that solving a problem always has the highest priority. When that manager encounters a subordinate who comes from a different cultural tradition, in which good relationships and protecting the superior's "face" are assumed to have top priority, the following scenario has often resulted.

The manager proposes a solution to a given problem. The subordinate knows that the solution will not work, but his unconscious assumption requires that he remain silent because to tell the boss that the proposed solution is wrong is a threat to the boss's face. It would not even occur to the subordinate to do anything other than remain silent or, if the boss were to inquire what the subordinate thought, to even reassure that boss that they should go ahead and take the action.

The action is taken, the results are negative, and the boss, somewhat surprised and puzzled, asks the subordinate what he would have done. When the subordinate reports that he would have done something different, the boss quite legitimately asks why the subordinate did not speak up sooner. This question puts the subordinate into an impossible double bind because the answer itself is a threat to the boss's face. He cannot possibly explain his behaviour without committing the very sin he was trying to avoid in the first place – namely, embarrassing the boss. He may even lie at this point and argue that what he boss did was right and only "bad luck" or uncontrollable circumstances prevented it from succeeding.

From the point of view of the subordinate, the boss's behaviour is incomprehensible because it shows back of self-pride, possibly causing the subordinate to lose respect for that boss. To the boss, the subordinate's behaviour is equally incomprehensible. He cannot develop any sensible explanation of his subordinate's behaviour that is not cynically coloured by the assumption that the subordinate at some level just does not care about effective performance and therefore must be gotten rid of. It never occurs to the boss that another assumption – such as "one never embarrasses a superior" – is operating, and that, to the subordinate, that assumption is even more powerful than "one gets the job done."

If assumptions such as these operate only in an individual and represent her idiosyncratic experience, they can be corrected more easily because the person will detect that she is alone in

holding a given assumption. The power of a culture comes about through the fact that the assumptions are shared and, therefore, mutually reinforced. In these instances, probably only a third party or some cross-cultural education could help to find common ground whereby both parties could bring their implicit assumptions to the surface. And even after they have surfaced, such assumptions would still operate, forcing the boss and the subordinate to invent a whole new communication mechanism that would permit each to remain congruent with his or her culture – for example, agreeing that, before any decision is made and before the boss has stuck his neck out, the subordinate will be asked for suggestions and for factual data that would not lead to loss of face. Note that the solution has to keep each cultural assumption intact. One cannot simply declare, in these instances, one or the other cultural assumption “wrong”. One has to find a third assumption to allow them both to retain their integrity.

This long example is dwelled on to illustrate the potency of implicit, unconscious assumptions and to show that such assumptions often deal with fundamental aspects of life – the nature of time and space, human nature and human activities, the nature of truth and how one discovers it, the correct way for the individual and the group to relate to each other, the relative importance of work, family, and self-development, the proper roles of men and women, and the nature of the family.

We do not develop new assumptions about each of these areas in every group or organisation we join. Members of any new group will bring their own cultural learning from prior groups, from their education, and from their socialisation into occupational communities, but as the new group develops its own shared history, it will develop modified or brand-new assumptions in critical areas of its experience. It is those new assumptions that make up the culture of the particular group.

Any group’s culture can be studied at these three levels– the level of its artefacts, the level of its espoused beliefs and values, and the level of its basic underlying assumptions. If one does not decipher the pattern of basic assumptions that may be operating, one will not know how to interpret the artefacts correctly or how much credence to give to the articulated values. In other words, the essence of a culture lies in the pattern of basic underlying assumptions, and once one

understand those, one can easily understand the other levels that are closer to the surface and deal appropriately with them.<sup>80</sup>

***The difference between Values and Basic assumptions:*** Briefly, Values involve a greater level of awareness; they are open to discussion and are changeable. Basic assumptions are taken for granted as invisible, preconscious; someone who does not hold them is viewed as a “foreigner” or “crazy” and is automatically dismissed.

## **2.14 Creating Organisational Culture**

Is it possible to create a culture that influences behaviour in the direction management desires? This is an intriguing question. Gibson mentions an experiment in a California electronics firm, which points out that artificially imposing a culture, is difficult and is often met with resistance. It is difficult to simply create core values and when there is disparity between reality and a stated set of values, employees become confused, irritated, and sceptical. They also usually lack enthusiasm and respect when a false image is portrayed. Creating a culture just does not happen because a group of intelligent, well-intentioned managers meet and prepare a document.<sup>81</sup>

Cultures seem to evolve over a period of time, as did McDonald’s and Walt Disney’s. Schein describes this evolution as follows:

“The culture that eventually evolves in a particular organisation is ... a complex outcome of external pressures, internal potentials, responses to critical events, and, probably, to some unknown degree, chance factors that could not be predicted from a knowledge of either the environment or the members.”<sup>82</sup>

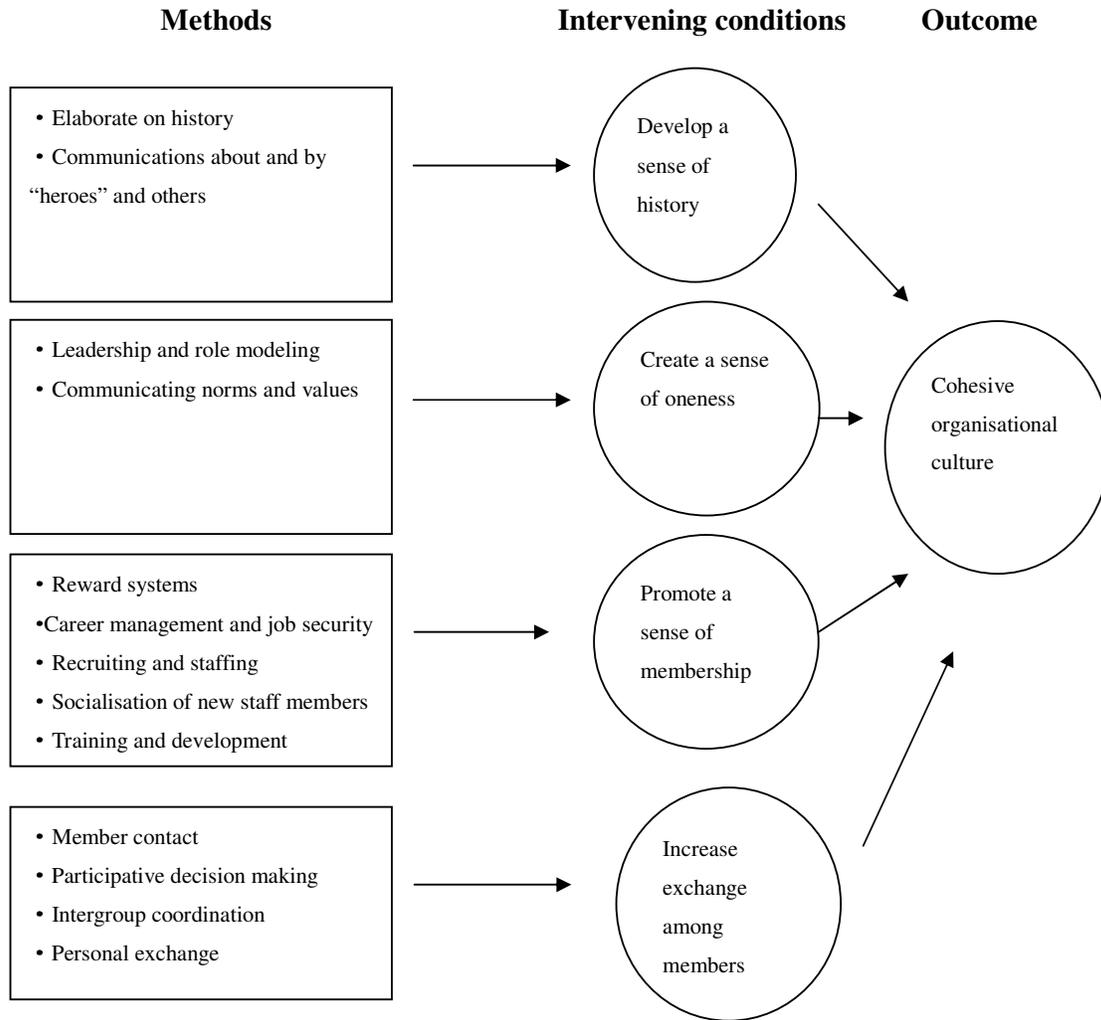
Figure 2.6 portrays a model that illustrates the evolution of culture and its outcome. The model emphasises an array of methods and procedures that managers can use to foster a cohesive culture. In Figure 2.6 there is an emphasis on the word HOME, which suggests the importance of history, oneness, membership, and exchange among employees.

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<sup>80</sup> Schein, E.H. 2004. Organizational Culture and Leadership. P36.

<sup>81</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. P34.

<sup>82</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. P34.



**Figure 2.6: The Evolution of a Positive Culture<sup>83</sup>**

Source: Warren Gross and Shula Shichman, “How to Grow an Organisational Culture”. Personnel, September 1987, pp. 52-56, 1987, American Management Association, New York. All rights reserved.

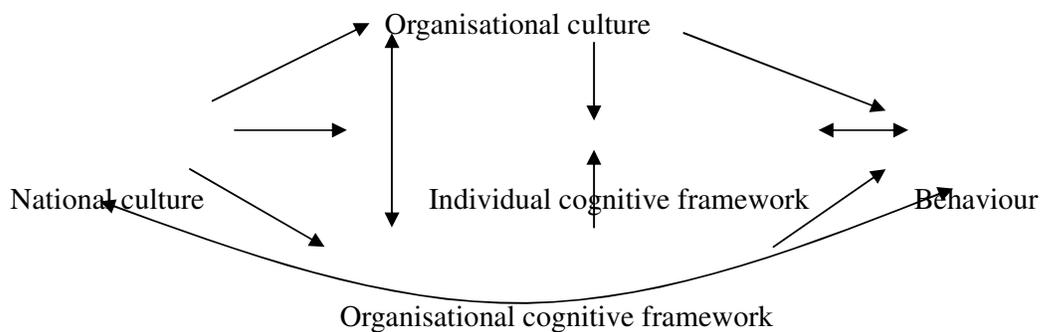
## **2.15 Managing culture**

Managing culture is something that automatically forms part of the duties of any manager. However, in many situations this is not specifically recognised as a need. This is usually because there is congruence between the manager’s experience and the surrounding culture. It is often

<sup>83</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. P34.

only when faced with the need to manage cross-culturally that its significance becomes apparent. Many ways are suggested in which culture can be managed. The models of organisational culture indicated earlier in this chapter all provide a means through which better to understand the concept and through that to be able to more effectively manage it. For example, the work of Hofstede proposes a number of variables that differentiate cultures and so provide the basis for knowing how people differ and therefore how to cope with (manage) the identified differences.<sup>84</sup>

In seeking to address the issue of how culture influences behaviour in an organisation context, Cray and Mallory (1998, pp 89-112) develop a cognitive model. The essence of the model is that actual behaviour is based on many forces acting on the individual. Their model of the cognitive approach to the relationship between culture and behaviour is included as Figure 2.7.



**Figure 2.7: The impact of culture on Behaviour: a cognitive model** (source: Cray, D. and Mallory, G. (1998) *Making Sense of Managing Culture*, International Thomson Business, London).<sup>85</sup>

The model is built up systematically by the writers on the basis of a discussion of how behaviour is channelled by the forces acting upon it. Taking each element of the model briefly in turn:

**National culture:** In each of the models of culture discussed earlier, it is assumed that national culture has a direct impact on the behaviour of the individuals within it. This ignores the filtering mechanism of individuals themselves. While it may be true that there is an almost

<sup>84</sup> Martin, J. 2001. *Organizational Behaviour*. Second edition. P613.

<sup>85</sup> Martin, J. 2001. *Organizational Behaviour*. Second edition. P614.

automatic link between culture and behaviour in some situations, it might not always be the case when new situations arise. The inclusion of cognitive processes within the model also allows the researcher (or manager) wishing to explore the links between national culture and behaviour to identify which factors within a culture impact directly on the decisions taken by the individual.

**Organisational culture:** Either the organisational culture also affects the behaviour of individuals directly or through the cognitive frameworks that are proposed. As the organisational culture is to some extent likely to be a subset of the larger national culture, it will also be influenced by it and impact on the cognitive frameworks of the individual within it.

**Individual cognitive framework:** This hypothetical framework reflects the ability of individuals to capture phenomena, categorise them and utilise the information in decision-making processes. Within the model, it reflects the largely unconscious processes in which the individual experiences and has the opportunity (through free will) to determine a behavioural response.

**Organisational cognitive framework:** There has been considerable debate on whether organisations can have a cognitive framework in the same way as people. There are those who argue that it cannot exist based on an organisation being an inanimate entity. Others suggest that an organisation does possess a cognitive framework, supporting their views by suggesting that a measure of collective consciousness must exist within the organisation, independent of the individuals if consistency of operational activity and direction is to be achieved. If it is assumed to exist then as a construct the organisational cognitive framework must influence the behaviours and cognitions of those who work within it.<sup>86</sup>

In offering a basis for being able to manage cultural issues more effectively the model allows an improved understanding of why contrasting behaviours occur between cultural boundaries. As such it should allow those cognitive features which are deep-seated and thus less amenable to change to be identified and separated out from those cognitive components that may be easier to

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<sup>86</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P615.

manipulate (Cray & Mallory, 1998, p107). The writers illustrate the potential of the model through one of the small number of studies of cognition as a comparative tool. Calori et al. (1992) found differences between French and British managers in their cognitive maps of the competitive forces and dynamics active in their organisation’s environment. The differences, it is argued, are based on the educational system and culture differences between the two countries. Similar differences in the cognitions of managers between the industries included in the study were also found, suggesting support for the inclusion of the organisational cognitive framework element in the model (Figure 2.6).<sup>87</sup>

A number of tools have been developed over recent years to try to measure aspects of culture within an organisation, making it easier to manage those aspects that need attention. For example, Cartwright from the University of Exeter developed a nine-factor test that seeks to measure the strength of employee feeling with regard to several aspects of the way that management run the company. The nine factors are shown in Table 2.7.

**Table 2.7: The Nine key factors developed by Cartwright<sup>88</sup>**

Acceptance	Trust/agreement	Development
Fairness	Expectation	Team spirit
Respect	Balance	Ownership

Each of the nine factors indicated in Table 2.7 contains four questions, which Cartwright developed after studying the cultural similarities of 50 top-performing companies. In a case study involving this tool, Littlefield (1999) describes how Kerry Foods, a large direct sales company of 500 people with a turnover of £70m per year, undertook the exercise following the rapid growth of the company. A number of problem areas were identified from the initial application of the Nine Key Factors survey, including the need to address the way in which head office initiatives were communicated and implemented, together with the style of management adopted by first-line managers. There was also a need to integrate the staff from the various

<sup>87</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P615.

<sup>88</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P615.

merged companies (that had created the rapid growth) better into one unit. The first company-wide survey produced a mean score of 3.4 as the overall satisfaction score and the second, a year later, a score of 3.9. Considerable effort within the company during the year involving training, one-to-one meetings and the use of incentives was clearly beginning to pay off. It was felt by the senior managers of the company that it had been possible to manage the culture by beginning to understand and change it over the one year between surveys. It was intended that the survey would become an annual event in seeking to measure cultural shifts across the company.<sup>89</sup>

Trompenaars and Woolliams (1999) elaborated on Trompenaars' earlier work on culture and linked it with that of Charles Hampden-Turner who developed a methodology for reconciling apparently opposing values. In doing so they confirmed the original seven dimensions reflecting ways that the values which differ between cultures can be grouped.

The seven dimensions are:

***Universalism v participation:*** This reflects the distinction between cultures that value allegiance to rules and those that value loyalty to relationships and other people.

***Individualism v communitarianism:*** This reflects the distinction between cultures that favour individual development and fulfilment compared to those cultures that value behaviour in support of the group as a whole.

***Specific v diffuse:*** This reflects the distinction between cultures that favour sticking to the facts and impersonal business relationships as compared to those cultures that prefer to build personal relationships before doing business.

***Neutrality v affectivity:*** This reflects the differences between culture in which it is common to hide emotions or where it is acceptable to be open with personal emotions.

***Inner directed v outer directed:*** This dimension reflects the degree to which the individuals within different cultures are in control of their environment or the degree to which the environment controls them.

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<sup>89</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P615.

***Achieved status v ascribed status:*** In some cultures, it is argued that success confirms status and subsequently promotion. In other cultures, status is a function of position, which subsequently motivates the individual who delivers performance.

***Sequential time v synchronic time:*** This dimension reflects the differences between cultures in orientation to the passing of time, the varying focus on timescales and ability to handle more than one thing at a time.<sup>90</sup>

The writers argue that each of these dimensions reflects an aspect of managing in what they call a transcultural manner. Each of the dimensions reflects a tension between the two juxtaposed concepts that must be reconciled in some way or other by managers operation across cultures. The conflicts that arise in seeking to deal with the differences in cultural preference evident in each dimension must involve actions such as compromise, reconciliation of the different perspectives or allowing one cultural norm to dominate. It is in measuring these possibilities that the work of Hampden-Turner has relevance. In some situations, their research shows that women appear to exhibit a higher ability to be able to reconcile opposing values than do their male counterparts. Some men also begin by starting from their own cultural perspective and then move towards the opposing values as they seek to resolve the dilemma. Other managers seek to approach things from the opposite direction. They have also found, in their preliminary research, that those managers who recognise, respect and are able to reconcile the dilemmas arising under each one of these seven dimensions perform better than those who do not.<sup>91</sup>

## **2.16 Changing organisational cultures**

A limited amount of research has been done on cultural change. The difficulty in creating a culture is made even more complex when attempting to bring about a significant cultural change. The themes that become apparent in discussing change are:

*·Cultures are so elusive and hidden that they cannot be adequately diagnosed, managed, or changed.*

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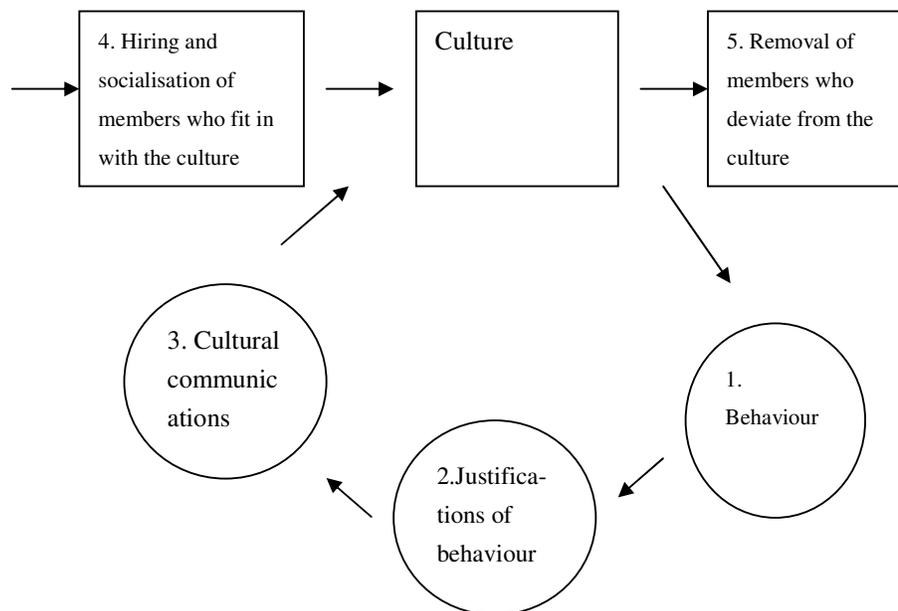
<sup>90</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P616.

<sup>91</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P616.

· Because it requires difficult techniques, rare skills, and considerable time to understand a culture and then additional time to change it, deliberate attempts at culture change are not really practical.

· Cultures sustain people throughout periods of difficulty and serve to ward off anxiety. One of the ways they do this is by providing continuity and stability. Thus, people will naturally resist change to a new culture.<sup>92</sup>

These three views suggest that managers who are interested in attempting to produce cultural changes face a difficult task. Figure 2.8 presents a view of five intervention points for managers to consider.



**Figure 2.8: Changing Culture Intervention Points<sup>93</sup>**

Source: Lisa A. Mainiero and Cheryl L. Tromley, *Developing Managerial Skills in Organisation Behaviour* (Englewood Cliffs, NJ: Prentice Hall, 1989), p. 403.

A considerable body of information suggests that one of the most effective ways of changing people's beliefs and values is to first change their behaviour (intervention 1). However,

<sup>92</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. *Organizations- behavior structure processes*. P35.

<sup>93</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. *Organizations- behavior structure processes*. P35.

behaviour change does not necessarily produce culture change because of the process of justification. Behavioural compliance does not mean cultural commitment: managers must get employees to see the inherent worth in behaving in a new way (intervention 2).

Typically, communication (intervention 3) is the method used by managers to motivate new behaviours. Cultural communication can include announcements, memos, rituals, stories, dress, and other forms of communication.

Another set of interventions include the socialisation of new members (intervention 4) and the removal of existing members who deviate from the culture (intervention 5). Each of these interventions must be done after careful diagnoses are performed. Although some individuals may not perfectly fit the firm's culture, they may possess exceptional skills and talents. Weeding out cultural misfits might be necessary, but it should be done only after weighing the costs and benefits of losing talented performers who deviate from the core cultural value system.<sup>94</sup>

Lundberg (1985) argues that it is possible to change culture and provides a six-stage programme for achieving this objective:

**External:** Identify external conditions that may encourage a change to the existing culture.

**Internal:** Identify internal circumstances and individuals that would support change.

**Pressures:** Identify forces pressing for change in the culture.

**Visioning:** Identify key stakeholders and create in them a vision of the proposed changes, the need and benefits.

**Strategy:** Develop a strategy for achieving the implementation of the new culture.

**Action:** Develop and implement a range of action plans based on the strategy as a means of achieving movement to the desired culture.<sup>95</sup>

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<sup>94</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. P36.

<sup>95</sup> Martin, J. 2001. Organizational Behaviour. Second edition. P617.

## **2.17 Organisational culture and social value systems**

Organisations are able to operate efficiently only when shared values exist among the employees. Values are the conscious, affective desires or wants of people that guide their behaviour. In individuals, personal values guide behaviour on and off the job. If a person's set of values is important, it will guide the person and also promote consistent behaviour across situations.<sup>96</sup>

Values are a society's ideas about what is right or wrong– such as the belief that physically hurting someone is immoral. Values are passed from one generation to the next and are communicated through education systems, religion, families, communities and organisations.<sup>97</sup>

A society's values have an impact on organisational values because of the interactive nature of work, leisure, family, and community. American culture has historically given work a central place in the constellation of values. Work remains a source of self-respect and material reward in the United States. Work also serves as a place to achieve personal growth and fulfilment. As the demographics and makeup of the workforce become more culturally diverse, it will become extremely important for managers to learn about the value systems orientations of the changing workforce. Does the value mix change or is it different for African-Americans, Mexican-Americans, immigrants, physically challenged workers, and others who are increasing in numbers in the society and in the workplace. This is a question that empirical studies and extensive analysis and debate will need to cover more thoroughly in the next few decades.

Socialisation is the process by which organisations bring new employees into the culture. In terms of culture, there is a transmittal of values, assumptions, and attitudes from the older to the newer employees. Intervention 4 in Figure 2.12 emphasises the “fit” between the new employee and the culture. Socialisation attempts to make this fit more comfortable for the employee and the firm. The socialisation process is presented in Figure 2.9.

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<sup>96</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. P31.

<sup>97</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. P31.

The socialisation process goes on throughout an individual's career. As the needs of the organisation change, for example, its employees must adapt to those new needs; that is, they must be socialised. But even as we recognise that socialisation is ever present, we must also recognise that it is more important at some times than at others. For example, socialisation is most important when an individual first takes a job or takes a different job in the same organisation. The socialisation process occurs throughout various career stages, but individuals are more aware of it when they change jobs or change organisations.

### **Socialisation stages**

The stages of socialisation generally coincide with the stages of a career. Although researchers have proposed various descriptions of the stages of socialisation, three stages sufficiently describe it: (1) anticipatory socialisation, (2) accommodation, and (3) role management. Each stage involves specific activities that, if undertaken properly, increase the individual's chances of having an effective career. Moreover, these stages occur continuously and often simultaneously.<sup>98</sup>

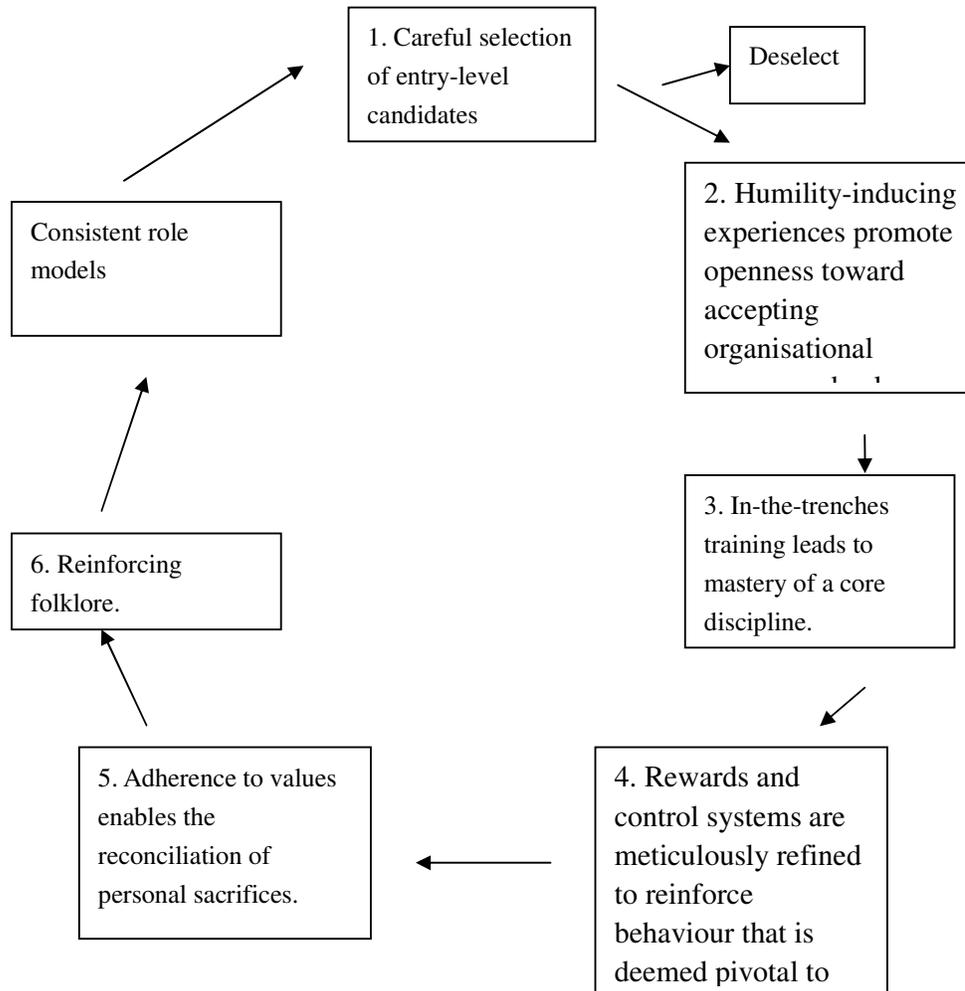
***Anticipatory Socialisation:*** The first stage involves all those activities the individual undertakes prior to entering the organisation or to taking a different job in the same organisation. The primary purpose of these activities is to acquire information about the new organisation and/or new job.

People are vitally interested in two kinds of information prior to entering a new job or organisation. First, they want to know as much as they can about what working for the organisation is really like. This form of learning about the organisation is actually an attempt to assess the firm's culture. Second, they want to know whether they are suited to the jobs available in the organisation. Individuals seek out this information with considerable effort when they are faced with the decision to take a job, whether it is their first one or one that comes along by way of transfer or promotion. At these times, the information is specific to the job or the organisation.

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<sup>98</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. P36.

We also form impressions about jobs and organisations in less formal ways. For example, our friends and relatives talk of their experiences. Parents impart both positive and negative information to their offspring regarding the world of work. Although we continually receive information about this or that job or organisation, we are more receptive to such information when faced with the necessity to make a decision.



**Figure 2.9: The Process of Organisational Socialisation<sup>99</sup>**

Source: Adapted from R.T. Pascale, “The Paradox of ‘Corporate Culture’: Reconciling Ourselves to Socialization”. California Management Review, p.38, Winter 1985. 1985, by the Regents of the University of California. Reprinted with permission of the regents.

<sup>99</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. P37.

It is desirable, of course, that the information transmitted and received during the anticipatory stage accurately and clearly depicts the organisation and the job. However, we know that individuals differ considerably in the way they decode and receive information. Yet, if the fit between the individual and the organisation is to be optimal, two conditions are necessary. The first condition is realism; both the individual and the organisation must portray themselves realistically. The second condition is congruence. This condition is present when the individual's skills, talents, and abilities are fully utilised by the job. Either their over-utilisation or underutilisation results in incongruence and, consequently, poor performance.

***Accommodation:*** The second stage of socialisation occurs after the individual becomes a member of the organisation, after he or she takes the job. During this stage, the individual sees the organisation and the job for what they actually are. Through a variety of activities, the individual attempts to become an active participant in the organisation and a competent performer on the job. This breaking-in period is generally stressful for the individual because of anxiety created by the uncertainties inherent in any new and different situation. Individuals who experienced realism and congruence during the anticipatory stage apparently have a less stressful accommodation stage. Nevertheless, the demands on the individual do indeed create situations that induce stress.

Four major activities constitute the accommodation stage: all individuals, to a degree, must engage in (1) establishing new interpersonal relationships with both co-workers and supervisors, (2) learning the tasks required to perform the job, (3) clarifying their role in the organisation and in the formal and informal groups relevant to that role, and (4) evaluating the progress they are making toward satisfying the demands of the job and the role.

If all goes well in this stage, the individual feels a sense of acceptance by co-workers and supervisors and experiences competence in performing job tasks. The breaking-in period, if successful, also results in role definition and congruence of evaluation. All new employees, to a greater or lesser extent, experience these four outcomes of the accommodation stage (acceptance, competence, role definition, and congruence of evaluation). However, the relative value of each of these outcomes varies from person to

person. Acceptance by the group may be a less valued outcome for an individual whose social needs are satisfied off the job, for example. Regarding of these differences due to individual preferences, each of us experiences the accommodation stage of socialisation and usually moves on to the third stage.

***Role Management:*** In contrast to the accommodation stage, which requires the individual to adjust to demands and expectations of the immediate work group, the role management stage takes on a broader set of issues and problems. Specifically, during the third stage, conflicts arise. One conflict is between the individual's work and home lives. For example, the individual must divide time and energy between the job and his or her role in the family. Since the amount of time and energy are fixed and the demands of work and family seemingly insatiable, conflict is inevitable. Employees unable to resolve these conflicts are often forced to leave the organisation or to perform at an ineffective level. In either case, the individual and the organisation are not well served by unresolved conflict between work and family.

The second source of conflict during the role management stage is between the individual's work group and other work groups in the organisation. This source of conflict can be more apparent for some employees than for others. For example, as an individual moves up the organisation's hierarchy, he or she is required to interact with various groups both inside and outside the organisation. Each group can and often does place different demands on the individual, and stress results to the extent that these demands are beyond the individual's ability to meet them. Tolerance for the level of stress induced by these conflicting and irreconcilable demands varies among individuals. Generally, the existence of unmanaged stress works to the disadvantage of the individual and the organisation.<sup>100</sup>

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<sup>100</sup> Gibson, J. L., Ivancevich, J. M., Donnelly, J. H. and Konopaske, R. 1997. Organizations- behavior structure processes. P39.

# Chapter 3

## A Case Study of Naspers

Investigation of the Naspers web page<sup>101</sup> provides the following general information about the company and its organisational culture.

### **3.1 About Naspers**

Naspers is a multinational media group with its principal operations in electronic media (pay television and internet subscriber platforms, and related technologies) and print media (newspapers, magazines, printing, book publishing and private education). Naspers' most significant operations are located in South Africa, where it generates approximately 72% of its revenues, with other significant operations located elsewhere in Sub-Saharan Africa, Greece, Cyprus, the Netherlands, the United States, Thailand and China. Naspers creates media content, builds brand names around it, and manages the platforms distributing the content. Naspers delivers its content in a variety of forms and through a variety of channels, including television platforms, Internet services, newspapers, magazines and books. Many of Naspers' businesses hold leading market positions, and Naspers capitalises on these strong positions when expanding into new markets.<sup>102</sup>

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<sup>101</sup> <http://www.naspers.co.za/English/home.asp>. 21 April, 05.

<sup>102</sup> <http://www.naspers.co.za/English/about.asp>. 21 April, 05.

### 3.2 Company structure

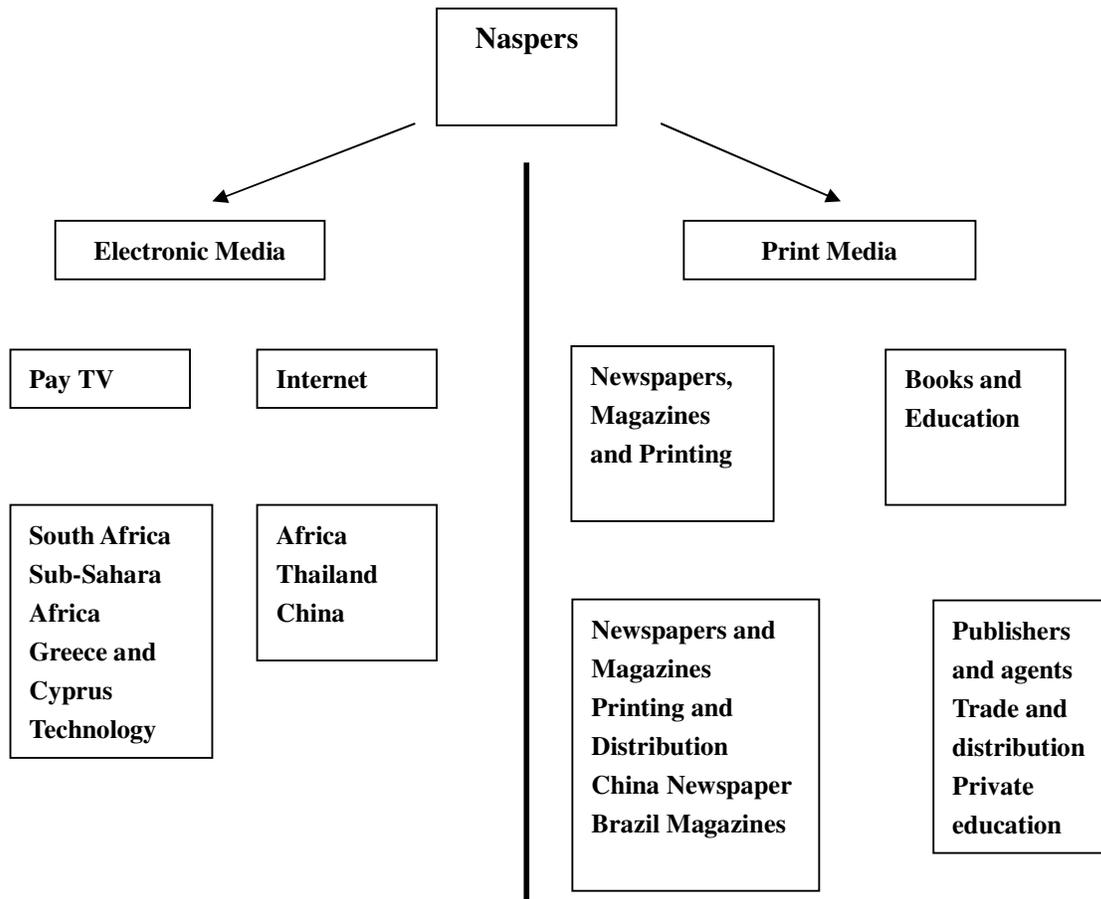


Figure 3.1: Company structure of Naspers<sup>103</sup>

### 3.3 Organisational culture

#### 3.3.1 Mission Statement

The group's mission is to build shareholder value by operating subscriber management platforms that provide content, services and means of communication to paying users; to licence related technologies and to be useful to the communities it serves.<sup>104</sup>

<sup>103</sup> [http://www.naspers.co.za/English/company\\_structure.asp](http://www.naspers.co.za/English/company_structure.asp). 21 April, 05.

<sup>104</sup> <http://www.naspers.co.za/English/about.asp>. 21 April, 05.

### **3.3.2 Strategy**

Naspers focuses on media businesses in growing markets in which it has or hopes to attain strong, sustainable market positions. The group uses content, brands and distribution channels from existing businesses to grow businesses in other markets and to develop new businesses. Naspers has integrated the Internet into each of its businesses to better reach and retain customers and increase the value of its content.

Naspers' key objectives are as follows:

#### ***Focus on Investments and Technology***

Naspers has made substantial investments in recent years to upgrade and enhance its subscriber platforms. It intends to consolidate the leading positions it holds in many markets and to expand into new ones. Most of Naspers' pay-television platforms offer digital subscriptions and feature interactive or enhanced services. Naspers has expanded its printing facilities by investing in advanced printing and related facilities. Additional newspaper and magazine titles have been launched or acquired when market opportunities have presented themselves. Naspers has also launched several Internet related businesses.

#### ***Build Digital Subscriber Base***

Naspers seeks to continue to expand MIH Holdings' digital pay-television subscriber base, both by converting its current analogue customers to the digital service and by gaining new digital customers. MIH Holdings offers subscribers movie and sports programming, and is adding interactive services to its bouquets (the term used to describe the channels offered by a pay-television provider on a given platform).

#### ***Grow Internet Businesses***

Naspers intends, by offering content and superior service, to grow M-Web Holdings as an Internet service provider and content portal in Africa. The group is also focused on e-commerce opportunities and on developing Internet service provider ("ISP") operations in other sub-Saharan nations, and has an interest in the operations of China's leading instant messaging platform. It will continue to develop such interests in China and elsewhere. Naspers' print media

and book publishing businesses are using their core competencies to create new business opportunities over the Internet.

### ***Maintain Local Approach***

Naspers has a track record of establishing businesses in developing markets such as Africa, the Mediterranean and Asia. Naspers believes that a component of its success in these markets is its emphasis on taking a local approach, which may involve employing local partners and management teams and incorporating linguistically and culturally tailored local content in its service offerings. Naspers' strategy is to continue to take a local approach to content as it expands its pay-television and Internet businesses.

### ***Provide Quality Service***

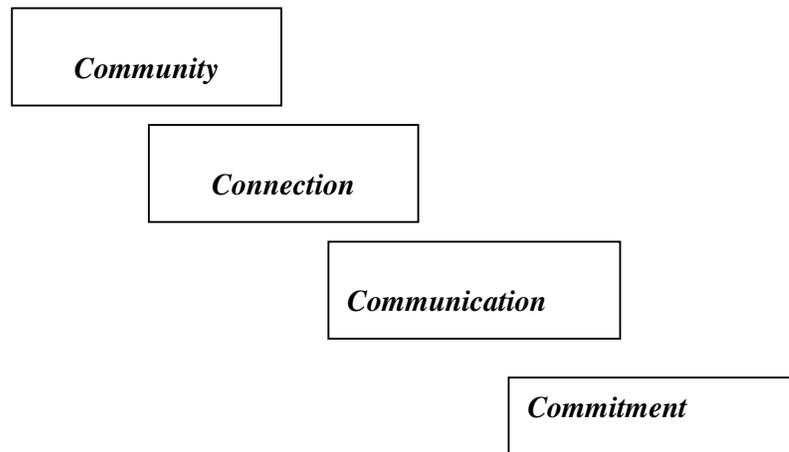
Naspers views its subscriber platform business primarily as a service business and, accordingly, places great emphasis on providing quality customer service. Naspers believes that this helps build customer loyalty and reduce "churn" (a term used to describe customer turnover or subscriber loss). It seeks to achieve high-quality customer service by operating service centres and utilising advanced computer systems, which allow customer service representatives to address customer concerns more quickly.<sup>105</sup>

### **3.3.3 The Naspers code of ethics**

Members of the Naspers Group interact with one another and with their stakeholders in many ways. Whether they are entertaining, informing, educating or creating network solutions, they always do so with integrity. Their aspiration towards ethics is captured in their INTEGRITY CHAIN, which expresses the guiding principles that bind them to one another and to their stakeholders. The aspiration to comply with this code applies to all directors, officers and employees in the Naspers Group and the application of these principles underpins the specific procedures employed by the companies in the Naspers Group.

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<sup>105</sup> <http://www.naspers.co.za/English/strategy.asp>. 21 April, 05.



**Figure 3.2 The Naspers integrity chain<sup>106</sup>**

Naspers has formed a *Community* in which they strive to ensure that everyone is treated with fairness and respect. They appreciate every person's dignity and diversity. They do not allow unfair discrimination and are committed to employment equity. Their interaction with the communities they serve through their products and services is based on respect and responsibility.

The *Connection* that binds them across their diverse activities is their integrity and passion. They believe in what they do and do it with integrity. This is why they trust one another and why their stakeholders can trust them. Their integrity and passion for Naspers help them to avoid conflicts that may arise between their interests and those of the group. Directors, officers and employees have an obligation to responsibly promote the best interests of the group at all times. Any action or situation that may lead to conflict or the appearance of conflict with the conduct of the group's business has to be avoided. Where conflicts of interest arise, directors, officers and employees must provide full disclosure of the circumstances and stand back from the related decision-making process.

*Communication* is based on honesty. They interact with their internal and external stakeholders and keep them informed through fair, timely and understandable disclosure. Within Naspers the

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<sup>106</sup> <http://www.naspers.co.za/English/codeethics.asp>. 21 April, 05.

attitude is that relevant information, subject to what is generally considered to be good practice should be regularly shared with staff. Where an employee, manager or director is concerned that a violation of the code may exist, a designated person with the necessary authority and status will be made available to respond to that concern. Each employee, manager and director has the opportunity to report unethical behaviour without fear of reprisal.

The group is *committed* to applying, implementing and enforcing their Code of Ethics within each company in the Naspers Group. They will hold themselves accountable to this Code, and expect their stakeholders to inform them of any breach. Unethical behaviour is not tolerated; neither do the breaking of laws, rules and regulations go undisciplined. They will not allow any retaliation against a director, employee or manager who acts in good faith in reporting any violation or suspected violation of their code.

Directors, officers and employees must respect and follow the laws and regulations of the authorities and the countries in which they conduct business.

Although all managers and staff act as custodians of this code, the Human Resources and Nomination Committee of the Naspers Board acts as overall custodian of ethical practices in the Group.

Living their Integrity Chain requires that their conduct is inspired by the high standards enshrined in this code and other applicable principles, rules and guidelines. An essential element of appropriate conduct is compliance with the obligations embodied in the relevant personnel policies and practices, the violations of which may result in disciplinary actions.<sup>107</sup>

### **3.4 Corporate governance**

Naspers (the company) is a multinational media group with operations in Africa, Europe and South East Asia. Its primary listing is on the JSE Securities Exchange South Africa (JSE). It also has a secondary listing on the Nasdaq National Market in New York (Nasdaq) with its American Depositary Receipt programme. This means that the board of Naspers is subject to the requirements of the JSE, the guidelines contained in the King Report on Corporate Governance

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<sup>107</sup> <http://www.naspers.co.za/English/codeethics.asp>. 21 April, 05.

for South Africa 2002 (King II), as well as the Sarbanes-Oxley Act of 2002 by virtue of it having to meet the applicable Securities and Exchange Commission (SEC) and Nasdaq requirements. The directors of Naspers recognise the need to conduct the business of the group with integrity and in accordance with suitable governance practices. Accordingly, Naspers has formed a compliance committee. This committee monitors developments in the corporate governance arena, locally and internationally, with a view to making recommendations to the board on corporate governance structures and practices.<sup>108</sup>

### **3.4.1 The board**

#### **Composition**

Naspers has a unitary board structure. The board is charter evidences a clear division of responsibilities. There are a sufficient number of non-executive directors, with a strong independent element, to ensure that no one individual has unfettered powers of decision-making and authority. In addition, the roles of chair and managing director are separate. As at 31 March 2004, the board comprised ten independent non-executive directors, only two executive directors and one non-executive director, as defined in the listing requirements of the JSE and Nasdaq. At present, five of the members of the board, or 38%, are from previously disadvantaged groups and three directors (23%) are female. These figures are well above average for the JSE.

#### **The chair**

The chair provides guidance to the board as a whole and ensures that the board is efficient, focused and operates as a unit. He acts as facilitator at board meetings to ensure a sound flow of opinions and ensures that discussions lead to optimal outcomes in the interests of good governance. He represents the board in external communications, in consultation with the managing director and the financial director.

#### **The managing director**

The managing director, who reports to the board, is responsible for the running of the day-to-day business of the group and for the implementation of policies and strategies adopted by the board. Chief executives of the various businesses assist him in this task. Board authority conferred on

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<sup>108</sup> [http://www.naspers.co.za/English/corporate\\_governance.asp](http://www.naspers.co.za/English/corporate_governance.asp). 21 April, 05.

management is delegated through the managing director, in accordance with approved authority levels.

### **Appointments to the board**

The board has adopted a policy on the procedures for the appointment of directors. The human resources and nomination committee periodically assesses the skills represented on the board by the non-executive directors and determines whether those skills meet the company's needs. Directors are invited to assist with the identification and nomination of potential candidates. The independent members of the human resources and nomination committee propose suitable candidates for consideration by the board.

### **Induction and development**

There is an induction programme for new members of the board. The programme involves industry- and company-specific orientation; including visits to major group businesses and meetings with senior management, as appropriate, to facilitate an understanding of operations. The company secretary assists the chair with the induction and orientation of directors, including arranging specific training, if required.

### **Role and function of the board**

The board has adopted a charter setting out its responsibilities. Among other obligations, it:

- determines the company's mission, provides strategic direction to the company and is responsible for the adoption of strategic plans and the implementation of values in support thereof
- approves the annual business plan and budget compiled by management
- retains full control over the company and monitors management with regard to the implementation of the approved annual budget and business plan
- appoints the managing director, who reports to the board and ensures that succession is planned
- approves the company's financial statements, interim and provisional reports, as well as the Form 20-F filing required by the SEC, and is responsible for its integrity and presentation
- evaluates the viability of the company and the group on the basis of a going- concern
- determines the company's communication policy

- determines selection, orientation and evaluation of directors
- ensures that the company has appropriate risk management, internal control and regulatory compliance procedures in place and that it communicates adequately with shareowners and stakeholders
- establishes board subcommittees with clear terms of reference and responsibilities as and when appropriate
- defines levels of authority in respect of specific matters, with required authority to board subcommittees and management
- monitors non-financial aspects pertaining to the business of the company
- considers and, if appropriate, declares the payment of dividends to shareowners.

The board and its committees are supplied with comprehensive and timely information, which enables them to discharge their responsibilities.

Individual directors, after consulting with the chair or the managing director may seek independent professional advice, at the expense of the company, on any matter connected with the discharge of their responsibilities as directors.

Naspers has a formal code that deals with the management of potential conflict between a director's interests and those of the group.

### **Meetings of the board**

The board meets regularly, at least once a quarter and when circumstances may require.<sup>109</sup>

### **3.4.2 Board committees**

While the board remains accountable and responsible for the performance and affairs of the company, it delegates to management and board subcommittees certain functions to assist it to properly discharge its duties. Appropriate structures for those delegations are in place, accompanied by monitoring and reporting systems.

Each subcommittee acts within agreed, written terms of reference. The chair of each subcommittee reports at each scheduled meeting of the board and minutes of subcommittee meetings are provided to the board. The majority of the members of each subcommittee are

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<sup>109</sup> [http://www.naspers.co.za/English/corporate\\_governance.asp](http://www.naspers.co.za/English/corporate_governance.asp). 21 April, 05.

independent, non-executive directors.

The chair of each subcommittee is a non-executive director and is required to attend annual general meetings to answer questions raised by shareowners. The established board subcommittees are as follows:

**Executive committee**

This committee comprises a majority of non-executive directors, one being the chair of the board also serving as the chair of the executive committee, and two executive directors.

The executive committee acts on behalf of the board with regard to the management of issues when the board is not in session, subject to statutory limits and the board's limitations on delegation.

**Audit and risk management committee**

The members of this committee are all non-executive directors. One of whom acts as the financial expert and chair of the committee. All members are financially literate, with the majority possessing substantial business and financial expertise. The committee meets at least three times a year with members of executive management, as well as with the internal and external auditors.

Both the internal and external auditors have unrestricted access to the committee. The external auditors may report their findings to the committee in the absence of members of the executive management.

The chair of the board, managing director and financial director attend the audit and risk management committee meetings by invitation.

The scope of this committee includes risk management, as well as compliance with the JSE, Nasdaq and SEC requirements. Among others, the main responsibilities of the audit and risk management committee are to:

- review and recommend to the board for approval the company's annual reports, interim and provisional reports, as well as the Form 20-F filing required by the SEC and receive the external auditors' reports
- review and make recommendations to the board relating to the viability of the companies concerned, and the group itself, on a going-concern basis

- evaluate and approve the external auditors' plans, findings and reports
- evaluate the effectiveness of the internal auditing function, including its activities, scope, adequacy and costs, and approve the annual internal audit plan and any material changes thereto
- evaluate procedures and systems (including, without limitation, internal controls, disclosure controls and procedures, and information systems) introduced by management
- review and approve the activities, scope, adequacy and effectiveness of the company's risk management and regulatory associated procedures
- evaluate legal matters that may affect the financial statements
- establish procedures for the treatment of complaints received by the company regarding accounting, internal control or auditing matters
- determine the principles for the use of the external auditors for non-audit services.

#### **Human resources and nominations committee**

This committee comprises a majority of non-executive directors, one of whom acts as chair, and two executive directors. In respect of any nomination for a board appointment, the executive members of the committee abstain from voting.

Among others, the main responsibilities of the human resources and nominations committee are to:

- determine the company's general policy on remuneration, as well as a specific policy in respect of executive remuneration
- review and approve remuneration packages of executive directors, including bonus incentive schemes and increases
- appraise the performance of the managing director
- regularly review the company's code of ethics and the effectiveness of the ethics management programme
- annually review the general level of remuneration for directors of the board, as well as its committees, and recommend proposals in this respect for approval by shareowners in general meeting

- fulfil delegated responsibilities in respect of the Naspers share scheme
- approve appointments of top executives and present proposals to the board in respect of the appointment of editors
- annually review the corporate governance guidelines and charter of the board
- evaluate cases of unethical behaviour by senior managers and executives of the company
- evaluate the performance of the board, subcommittees of the board, directors and the chair
- review employment equity and skills development plans
- make recommendations to the board in respect of the appointment of new directors.

### **Budget committee**

The majority of members of this committee are non-executive directors.

The key responsibility of the budget committee is the annual review of the business plan and financial budget for the Naspers group, for recommendation to the board.<sup>110</sup>

### **3.4.3 The company secretary**

The company secretary is responsible for providing the board collectively, and each director individually, with guidance on the discharge of their responsibilities in terms of the legislation and regulatory requirements of the relevant jurisdictions.

The directors have unlimited access to the advice and services of the company secretary. The company secretary plays an active role in the company's corporate governance process and ensures that the proceedings and affairs of the directorate, the company itself and, where appropriate, shareowners are properly administered in accordance with the pertinent laws. He also acts as the compliance officer and delegated information officer, and is responsible for the execution of statutory requirements applicable to those positions.

The directors of the company keep the company secretary advised of all their dealings in securities. The company secretary monitors that the directors receive approval from the chair, or a designated director, for any dealings in securities, and ensures adherence to closed periods for share trading.<sup>111</sup>

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<sup>110</sup> [http://www.naspers.co.za/English/corporate\\_governance.asp](http://www.naspers.co.za/English/corporate_governance.asp). 21 April, 05.

<sup>111</sup> [http://www.naspers.co.za/English/corporate\\_governance.asp](http://www.naspers.co.za/English/corporate_governance.asp). 21 April, 05.

#### **3.4.4 Risk management**

As an international multimedia group with various business activities, the group is exposed to a wide range of risks, and some may have serious consequences. However, the diversified nature of the group helps to spread the risk. Identification of risk and its management form part of each business unit's business plan. These are assessed by the budget committee on an annual basis. Major group companies have specific risk management functions. The audit and risk committee also reviews the risk management process. At present, the following major risks are evident, among a wide range of exposures:

##### ***Geopolitical or economic instability***

An element of political risk exists in most countries in which the group operates, some higher than others. While this risk is beyond the group's control, care is taken to assess this risk when entering a new market. In addition, the group operates in more than 50 countries across the globe, thereby spreading its exposure somewhat.

##### ***Regulatory disruption***

The group's pay-television, internet and other media operations are generally subject to government regulation in many of the countries in which they operate. Delays or failure in obtaining or renewing the necessary regulatory approvals could disrupt the group's ability to offer its services.

To mitigate this risk, the group cooperates and consults on a continuous basis with the various regulators in the countries in which it operates and endeavours to comply with regulatory terms and conditions. Furthermore, the group actively participates in the regulatory process in the various territories. Some businesses have local partners who are familiar with local market conditions.

##### ***Satellite failure***

Most of the group's pay-television services are delivered to subscribers via satellite transmission. Satellites are subject to damage or destruction, which may disrupt the transmission of services. To reduce this risk, different solutions have been applied depending on the satellite. These range from pre-emptive and non-pre-emptive back-up capacity to built-in redundancy. In each case a business decision is made weighing up the risk against the cost of protecting against

that risk. Some satellite risks consequently remain unprotected or only partially protected.

***Competition and technical innovations***

The group operates in fiercely competitive markets that are subject to rapid technological change that may wrong-foot some or all competitors. To mitigate this, the group works hard at product innovation and analysing emerging trends, and invests significant resources in developing new products and services.

***Currency fluctuations***

The group's reporting currency is the South African rand, which has a history of volatility against the US dollar and the euro. The group has substantial input costs denominated in foreign currency. To mitigate this, the group has a policy to hedge many outstanding foreign currency-denominated contracts by its South African entities. Currency fluctuations will also result in unrealised translation gains or losses arising when reporting the group's financial results, which will distort such financial results.<sup>112</sup>

**3.4.5 Internal control systems**

Internal control systems were introduced to provide management and the board with comfort regarding the financial position of the company, safeguarding of assets (including information) and compliance with regulatory requirements. The internal auditors monitor the functioning of the internal control systems and make recommendations to management and to the audit and risk management committee of the board.

The external auditors consider the internal control systems as part of their audit and communicate deficiencies when identified.

All internal control systems do have, however, inherent shortcomings, including the possibility of human error and the evasion or flouting of control measures. Even the best internal control system may provide only partial assurance.

The group's internal controls and systems are designed to provide reasonable, and not absolute, assurance as to the integrity and reliability of the financial statements; to safeguard, verify and maintain accountability of its assets and to detect fraud, potential liability, loss and material misstatement, while complying with applicable laws and regulations.

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<sup>112</sup> [http://www.naspers.co.za/English/corporate\\_governance.asp](http://www.naspers.co.za/English/corporate_governance.asp). 21 April, 05.

The group evaluated its internal control systems as at 31 March 2004 with specific regard to financial reporting and safeguarding of assets against unauthorised purchases, use or sales. During the period under review, the internal control system found no material shortcomings that led to a material loss that should be reflected in the financial statements or the external auditors' report.<sup>113</sup>

#### **3.4.6 Internal audit**

The internal audit function is an independent appraisal mechanism which evaluates the group's procedures and systems (including internal controls, disclosure procedures and information systems), thus ensuring that these are functioning effectively.<sup>114</sup>

#### **3.4.7 Relations with shareowners**

The company maintains dialogue with its key financial audiences, especially institutional shareowners and analysts. The investor relations unit manages the dialogue with these audiences and presentations take place at the time of publishing interim and final results.

The company's website provides the latest and historical financial and other information, including the financial reports.

The board encourages shareowners to attend its annual general meeting, notice of which is contained in the annual report, and shareowners have the opportunity to put questions to the board, including the chairs of the various board subcommittees at this meeting.<sup>115</sup>

#### **3.4.8 Business ethics**

In support of the requirements of King II, the company embarked on a process of formalising its ethical management process within the group. The first phase, to establish an overall group code of ethics compliant with JSE, Nasdaq and SEC requirements, is close to finalisation. This code will apply to all directors, officers and employees. The next phase will be for group companies to adopt this process in their own companies to ensure implementation of the group ethics management code. The human resources and nomination committee plays a key role in the ethics management process.

Naspers is committed to a policy of fair dealing in the conduct of its business. This

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<sup>113</sup> [http://www.naspers.co.za/English/corporate\\_governance.asp](http://www.naspers.co.za/English/corporate_governance.asp). 21 April, 05.

<sup>114</sup> [http://www.naspers.co.za/English/corporate\\_governance.asp](http://www.naspers.co.za/English/corporate_governance.asp). 21 April, 05.

<sup>115</sup> [http://www.naspers.co.za/English/corporate\\_governance.asp](http://www.naspers.co.za/English/corporate_governance.asp). 21 April, 05.

commitment, which is endorsed by the board, is based on a belief that business should be conducted honestly, fairly and legally. The group expects all employees to share its commitment to ethical and legal standards.<sup>116</sup>

### **3.4.9 Remuneration philosophy**

The remuneration policy and the execution thereof is the responsibility of the human resources and nomination committee of the board.

Non-executive directors qualify for an annual fee. This recognises the ongoing responsibility of directors, as well as the increased responsibility expected from them. This fee is augmented for services on any of the subcommittees of the board. A 100% premium is payable to the chair of the board, as well as a chair of the subcommittees. Their fees are reviewed annually, based on an independent survey of the top JSE-listed companies, as well as a sample of companies that have dual listings.

In striving to create shareholder value, the group aims to attract and retain competent and committed executive leaders. Similarly, performance should be recognised and encouraged.

The remuneration policy for executive directors and other executives has been drafted to meet this objective. Accordingly, the focus of the policy is not primarily on the guaranteed annual remuneration package, but on individual non-guaranteed incentive plans, which recognise contributions to the creation of shareholder value. There also is an incentive for executives to meet strategic and operational performance criteria.

As a long-term incentive, executive directors and other executives participate in share incentive schemes, both in Naspers shares as well as, in appropriate instances, shares of their respective subsidiaries.<sup>117</sup>

### **3.4.10 Subsidiaries**

Independent boards of directors, all of which have established their own governance practices and subcommittees that comply in the main with JSE, SEC and Nasdaq requirements, govern several of Naspers's major subsidiaries.<sup>118</sup>

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<sup>116</sup> [http://www.naspers.co.za/English/corporate\\_governance.asp](http://www.naspers.co.za/English/corporate_governance.asp). 21 April, 05.

<sup>117</sup> [http://www.naspers.co.za/English/corporate\\_governance.asp](http://www.naspers.co.za/English/corporate_governance.asp). 21 April, 05.

<sup>118</sup> [http://www.naspers.co.za/English/corporate\\_governance.asp](http://www.naspers.co.za/English/corporate_governance.asp). 21 April, 05.

### **3.4.11 Environment**

The group is sensitive to the effect of its operations on the environment, both directly and indirectly. The following objectives are pursued in this respect:

- to ensure compliance to applicable regulatory requirements, both locally and abroad
- to minimise waste through the recycling of especially paper and ink
- to optimise the use of energy, water and materials
- to promote, through media coverage, awareness of environmental issues.<sup>119</sup>

### **3.4.12 Health and safety**

Naspers aims to provide its employees with a clean, safe working environment. To achieve this, in terms of the Occupational Health and Safety Act, responsible individuals who receive continuous training to improve their skills have been appointed to all business units.

The group has also embarked on a comprehensive intervention programme to manage HIV/Aids in the workplace. The programme involves a series of training and information sessions offered to all employees, voluntary, free testing and counselling. In addition, an employee assistance programme is offered, which covers a wide range of needs.<sup>120</sup>

## ***3.5 Overview of the Naspers culture***

From the above information, as well as the former study on organisational culture, it is concluded that Naspers culture is characterised by the following aspects:

### ***Independent conduct and local approach***

Naspers is a multinational media group with operations in Africa, Europe and South East Asia, covering many countries. This property of the company determines that the group holds a unitary board structure in the headquarters, and each of the subsidiaries has independent boards, all of which have established their own governance practices and subcommittees that, in the main, comply with JSE, SEC and Nasdaq requirements. Naspers also takes a local approach, which may involve employing local partners who are familiar with local market conditions and management teams and incorporating linguistically and culturally tailored local content in its

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<sup>119</sup> [http://www.naspers.co.za/English/corporate\\_governance.asp](http://www.naspers.co.za/English/corporate_governance.asp). 21 April, 05.

<sup>120</sup> [http://www.naspers.co.za/English/corporate\\_governance.asp](http://www.naspers.co.za/English/corporate_governance.asp). 21 April, 05.

service offerings. Directors, officers and employees must respect and follow the laws and regulations of the authorities and the countries in which they conduct business.

***Shareholder focus***

The focus on shareholders ensures that the company builds value by operating subscriber management platforms that provide content, services and means of communication to paying users.

***Investment focus***

Its investment orientation was adjusted by Naspers to upgrade and enhance its subscriber platforms. The company intends to consolidate the leading positions it holds in many markets and to expand into new ones by investing new business such as advanced printing and related services, additional newspaper and magazine titles, and several Internet related businesses.

***Technology focus***

Naspers also focuses on technology. For example, most of Naspers' pay-television platforms offer digital subscriptions and feature interactive or enhanced services.

***Customer focus***

It is clear from Naspers' mission that the group is dedicated to being useful to the communities it serves. It provides quality services to its customers. It has also integrated the Internet into each of its businesses to better reach and retain customers and increase the value of its content.

***Market orientation***

Naspers focuses on media businesses in growing markets in which it has or hopes to attain strong, sustainable market positions. It uses content, brands and distribution channels from existing businesses to grow businesses in other markets and to develop new businesses.

***Service orientation***

Naspers views its subscriber platform business primarily as a service business and, accordingly, places great emphasis on providing quality customer service. It seeks to achieve high-quality

customer service by operating service centres and utilising advanced computer systems, which allow customer service representatives to address customer concerns more quickly.

***Innovation focus***

Being aware of the competitive markets, Naspers people work hard at product innovation and at analysing emerging trends, and invest significant resources in developing new products and services.

***Integrity orientation***

Integrity binds Naspers' people to one another and to their shareholders. It is represented in fairness and respect among people in the group. It offers customer communities it services with respect and responsibility. Integrity and passion binds people across their diverse activities. Integrity also implies trust between one another and shareholders. Honesty keeps internal and external stakeholders informed through fair, timely and understandable disclosure. And the integrity is applied, implemented and enforced within each company in the Naspers group.

***Ethics***

Naspers is committed to a policy of fair dealing in the conduct of its business. This commitment is based on the belief that business should be conducted honestly, fairly and legally.

# Chapter 4

## A Case study of Tencent

The following information was obtained from Tencent's web page<sup>121</sup>. General information concerning Tencent and this company's culture were concluded as follows:

### **4.1 About Tencent**

Tencent is one of the first Internet Instant Messaging (IM) software developers in China, and a leading provider for Internet and mobile value-added services with a focus on IM and related value-added services.

Tencent was founded in November 1998 in Shenzhen. In February 1999, Tencent launched its first IM software - "Tencent QQ". On June 16, 2004, Tencent Holdings Limited (SEHK: 700) successfully listed on the main board of the Hong Kong Stock Exchange.

Over the past six years, Tencent strove to pursue technological advancement, maintaining a steady high growth in users. The vast community of Tencent QQ users demonstrates Tencent's technological strength in operating massive online application systems and IM-related applications.

As a leading Internet company and award-winning service provider (SP) in China, Tencent integrates IM across different platforms such as Internet, mobile and fixed line networks to cater for the communication needs of users. The company constantly innovates and utilises local knowledge to serve the large user base.

Users can communicate in real time with each other via the IM platform, using their PCs, mobiles and fixed line phones, as well as various terminal devices. Not only can users communicate via texts, images, audio, video, and e-mail, but they also have access to various Internet services and mobile value-added services designed to enhance community experience, including mobile games, dating, content downloads and other entertainment services.

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<sup>121</sup> [http://www.tencent.com.hk/index\\_e.shtml](http://www.tencent.com.hk/index_e.shtml). 01, May, 05.

Tencent develops its business in three strategic directions, i.e. consumer IM, enterprise IM and Infotainment. It is heading towards realising its vision "To become a top Internet enterprise".<sup>122</sup>

## **4.2 Product and service**

Based on three strategic directions, i.e. consumer IM service, enterprises IM service and infotainment service, Tencent has formed five business systems, including Internet and value-added service, mobile and telecommunications value-added service, advertising service, enterprise IM service and trademark licensing business.<sup>123</sup>

## **4.3 Corporate culture**

### **4.3.1 Vision**

The company vision is "To become a top Internet enterprise" through providing "top technology", "top applications" and "best service" to its users and customers, and being the "best team".<sup>124</sup>

### **4.3.2 Mission**

#### ***Users' reliable friend***

Tencent aims to provide new services and an enriching online experience to its large user community. Tencent people hope their service will become an integral part of their lives, like water and electricity.

#### ***Happy and Motivated University***

It aims to create a happy and motivated work environment for its employees so that they will embrace work with devotion and enthusiasm. It provides training opportunities and challenges, grooming them for career development.

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<sup>122</sup> [http://www.tencent.com.hk/about/about\\_e.shtml](http://www.tencent.com.hk/about/about_e.shtml). 01 May, 05.

<sup>123</sup> [http://www.tencent.com.hk/produc/product\\_e.shtml](http://www.tencent.com.hk/produc/product_e.shtml). 01 May, 05.

<sup>124</sup> [http://www.tencent.com.hk/cultur/culture\\_e.shtml](http://www.tencent.com.hk/cultur/culture_e.shtml). 01 May, 05.

### ***Leading Market Position***

With real-time communication as its core competitive strength, Tencent dedicates itself to develop new services to meet the needs of its users and to maintain its leadership in China's IM market.

### ***A Respectable Business Partner***

Tencent people commit themselves to establishing an equal, close and mutually beneficial relationship with all business partners, and to earning their respect.

### ***Stable and Sustainable Profit***

It seeks to achieve a stable and sustainable profit earning to uphold the interests of shareholders, and to gain their support for future growth.<sup>125</sup>

## **4.3.3 Values**

### ***Practical and Devoted***

To be practical and devoted is the core of its value, and the key to its success.

Not only does it offer services to achieve customer satisfaction, but it also tries its best to become better than it is.

### ***Innovative***

To be innovative is Tencent's basic strategy, in driving the growth of both employees and the company. They are intent on developing and providing an innovative and enriching value-added service to their users.

### ***Teamwork***

Teamwork is seen as its competitive edge. Tencent people work together closely, like classmates at university, supporting each other in their work. They encourage new ideas and constructive debate to realise teamwork.

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<sup>125</sup> [http://www.tencent.com.hk/cultur/culture\\_e.shtml](http://www.tencent.com.hk/cultur/culture_e.shtml). 01 May, 05.

### ***Happy Working***

Happy working is their philosophy and they enjoy their work. They advocate equality among supervisors and subordinates, open dialogue and a balance between work and life. They give ample room for employees to grow and prove themselves.

### ***Responsible and Conscientious***

They act according to what they profess and they are responsible for their actions. They are accountable to themselves, the company and the society.<sup>126</sup>

## **4.4 Corporate governance**

Tencent Holdings Limited (“Tencent” or the “Company”, together with its subsidiaries and companies that have consolidated for accounting purposes, the “Group”) is a leading provider of Internet services and mobile value-added services in China. The shares in the Company are listed on the Main Board of the Hong Kong Stock Exchange.

The directors of Tencent recognise the need to conduct the business of the Group with integrity and in accordance with suitable governance practices.

The requisite improvements to the Group’s corporate governance procedures and policies have either been implemented or are in the process of being made.<sup>127</sup>

### **4.4.1 Shareholders**

The board and senior management of Tencent recognise their responsibility to represent the interests of the shareholders and to enhance shareholder value. Tencent uses a number of formal channels to account to shareholders for the performance and operation of the Group and reports to shareholders on a quarterly basis. The Board of Directors’ Office/Investor Relations Department respond to letters, e-mails and telephone enquiries from shareholders/investors on various issues throughout the year.<sup>128</sup>

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<sup>126</sup> [http://www.tencent.com.hk/cultur/culture\\_e.shtml](http://www.tencent.com.hk/cultur/culture_e.shtml). 01 May, 05.

<sup>127</sup> [http://www.tencent.com.hk/ir/mo\\_ir\\_e.shtml?/ir/govern/govern\\_corporate\\_e.shtml](http://www.tencent.com.hk/ir/mo_ir_e.shtml?/ir/govern/govern_corporate_e.shtml). 01 May, 05.

<sup>128</sup> [http://www.tencent.com.hk/ir/mo\\_ir\\_e.shtml?/ir/govern/govern\\_corporate\\_e.shtml](http://www.tencent.com.hk/ir/mo_ir_e.shtml?/ir/govern/govern_corporate_e.shtml). 01 May, 05.

#### 4.4.2 The board

Tencent has a unitary board. With the exception of the Chief Executive Officer and the Chief Technology Officer, it comprises all non-executive directors, most of whom are independent. Independent non-executive directors of the Company represent more than one-third of the board. The non-executive members of the board bring a wide range of business and financial experience to the board.

The board:

- determines the Group's mission, provides strategic direction to the Group and is responsible for the approval of strategic plans;
- approves the annual business plan and budget proposed by management;
- retains full and effective control over the Group and monitors management with regard to the implementation of the approved annual budget and business plan;
- appoints the Chief Executive Officer, who reports to the board and ensures that succession is planned;
- approves the Company's financial statements, quarterly, interim and annual reports;
- determines the Group's communication policy;
- determines director selection, orientation and evaluation;
- ensures that the Group has appropriate risk management, internal control and regulatory compliance procedures in place and that it communicates adequately with shareholders and stakeholders;
- establishes board subcommittees with clear terms of reference and responsibilities as appropriate;
- defines levels of delegation in respect of specific matters, with required authority to board subcommittees and management;
- monitors non-financial aspects pertaining to the business of the Group;
- considers and, if appropriate, declares the payment of dividends to shareholders; and

- regularly evaluates its own performance and effectiveness.

The board and its committees are supplied with full and timely information, which enables them to discharge their responsibilities. All directors have access to the company secretary and to independent professional advice and, if appropriate, this will be at the Company's expense. Directors' interests in other boards and contracts are regularly declared and recorded.

The board identifies and evaluates candidates for appointment as directors.

Following the appointment of new directors to the board, an orientation programme is arranged to facilitate their understanding of the Group.<sup>129</sup>

#### **4.4.3 Board committees**

While retaining overall accountability, and excluding those matters reserved for the board itself, the board has delegated the authority to run the day-to-day business of the Group to the Chief Executive Officer. The board has also established the following subcommittees:

- audit committee;
- remuneration committee; and
- investment committee.

Each committee acts within agreed terms of reference.<sup>130</sup>

#### **4.4.4 Internal controls**

Internal control systems were introduced to provide management and the board with comfort regarding the financial position of the Group, safeguarding of assets (including information) and compliance with regulatory requirements. The internal and external auditors monitor the functioning of the internal control systems and make recommendations to management and the audit committee.

All internal control systems do, however, have inherent shortcomings, including the possibility of human error and the evasion or flouting of control measures. Even the best internal control system may provide only partial assurance.<sup>131</sup>

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<sup>129</sup> [http://www.tencent.com.hk/ir/mo\\_ir\\_e.shtml?/ir/govern/govern\\_corporate\\_e.shtml](http://www.tencent.com.hk/ir/mo_ir_e.shtml?/ir/govern/govern_corporate_e.shtml). 01 May, 05.

<sup>130</sup> [http://www.tencent.com.hk/ir/mo\\_ir\\_e.shtml?/ir/govern/govern\\_corporate\\_e.shtml](http://www.tencent.com.hk/ir/mo_ir_e.shtml?/ir/govern/govern_corporate_e.shtml). 01 May, 05.

#### **4.4.5 External auditors**

In order to maintain the independence of the Group's external auditors, the external auditors will not be engaged for non-audit work unless this constitutes non-audit work pre-approved by the audit committee. There must be clear efficiencies and value-added benefits to the Company from that work being undertaken by the external auditors, with no adverse effect on the independence of their audit work or the perception of such independence.<sup>132</sup>

#### **4.4.6 Code of conduct**

Tencent is committed to maintaining its integrity in dealings with all. The Company's code of conduct emphasises honesty and respect. The code of conduct applies to all employees and forms part of their service contracts.

Staff development takes place through formal training and through offering employees opportunities in the workplace.<sup>133</sup>

### ***4.5 Overview of the Tencent culture***

Tencent culture is interpreted in terms of the following points:

#### ***National focus***

Tencent is a typical national company in China. It mainly focuses its business countrywide and meets the needs of its users.

#### ***Shareholder and profit focus***

Tencent seeks to achieve stable and sustainable profit earnings to uphold the interests of shareholders, and to gain their support for future growth.

#### ***Application and Technology focus***

As one of the first IM software developers and a leading provider of Internet and mobile value-added services, technology is an indispensable source of power to Tencent. The vast community of Tencent QQ users demonstrates the company's technological strength in

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<sup>131</sup> [http://www.tencent.com.hk/ir/mo\\_ir\\_e.shtml?/ir/govern/govern\\_corporate\\_e.shtml](http://www.tencent.com.hk/ir/mo_ir_e.shtml?/ir/govern/govern_corporate_e.shtml). 01 May, 05.

<sup>132</sup> [http://www.tencent.com.hk/ir/mo\\_ir\\_e.shtml?/ir/govern/govern\\_corporate\\_e.shtml](http://www.tencent.com.hk/ir/mo_ir_e.shtml?/ir/govern/govern_corporate_e.shtml). 01 May, 05.

<sup>133</sup> [http://www.tencent.com.hk/ir/mo\\_ir\\_e.shtml?/ir/govern/govern\\_corporate\\_e.shtml](http://www.tencent.com.hk/ir/mo_ir_e.shtml?/ir/govern/govern_corporate_e.shtml). 01 May, 05.

operating massive online application systems and IM-related applications. Tencent takes “top technology” as an aspect of its vision.

***Customer focus***

Tencent wants to become the users’ reliable friend. Tencent people hope that their service will become an integral part of their customer’s lives, like water and electricity.

***Business partner focus***

Tencent people commit themselves to establishing an equal, close and mutually beneficial relationship with all business partners, and to earning their respect.

***Market focus***

Tencent dedicates itself to develop new services to meet the needs of its users and to maintain its leadership in China’s IM market.

***Service focus***

“Best service” is one of Tencent’s visions. With real-time communication as its core competitive strength, the company aims to provide new services and an enriching online experience to its large user community.

***Innovation orientation***

To be innovative is Tencent’s basic strategy in driving the growth of both employees and of the company. Tencent people are intent on developing and providing an innovative and enriching value-added service to their users.

***Teamwork orientation***

Teamwork is seen as its competitive edge. Tencent people work together closely, like classmates at university, supporting each other in their work. They encourage new ideas and constructive debate to realise teamwork.

***Work environment focus***

Tencent aims to create a happy and motivated work environment for its employees so that they will embrace work with devotion and enthusiasm. Happy working is their philosophy and they

enjoy their work. They advocate equality among supervisors and subordinates, open dialogue and a balance between work and life.

***Integrity orientation***

The directors of Tencent recognise the need to conduct the business of the Group with Integrity and in accordance with suitable governance practices. Tencent is committed to maintaining its integrity in dealing with all.

***Ethics***

The company's code of conduct emphasises honesty and respect as Tencent ethics. It is applied to all employees and forms part of their service contracts.

# Chapter 5

## Comparison between the Organisational Culture of Naspers and Tencent

### ***5.1 General statement of comparison***

In straightforward terms, the organisation's culture is its personality, atmosphere, or "feel". The culture of an organisation defines appropriate behaviour and bonds; it motivates individuals; and it governs the way a company processes information, internal relations, and values. It functions at all levels from the subconscious to the visible.

In this chapter, the organisational culture of Naspers and Tencent are to be discussed and compared in terms of Schein's culture model. Particularly, the second level of organisational culture (Values and Ideology) will be the main focus. The comparison is followed by concluding the extractions, which is to find out the culture attributes that embody the value layer of Organisational Culture in the organisation's real operation.

### ***5.2 Comparison of organizational culture between Naspers and Tencent***

#### **5.2.1 Definition of value and ideology**

The investigation of Schein's model and the interpretation of the three layers of organizational culture can be found in Chapter 2. In addition, Schein's theory of the dimensions of culture helps to understand the culture model in a concrete way, which reflects the composition of culture within an organisational context. The following brief definition of values and ideology will be used on the application of Schein's model: In organizations, values and ideology are the conscious, affective desires or wants of people that guide their behaviour. They are open to discussion and people can agree or disagree about them.

### 5.2.2 Comparison of the two companies' cultures

In Chapter 3 and Chapter 4, Naspers culture and Tencent culture are respectively described. Both of them have their unique culture factors and common points, for Naspers is an organisation from South Africa, while Tencent is one from China, and their national cultures and different social backgrounds affect and determine the different styles of each organisational culture. Table 5.1 shows typical differences and common aspects of the two companies. The dimensions of culture of Schein are used to help with classifying the organisational culture in these two companies, they are: behavioural regularities, dominant values, norms, rules, philosophy and climate.

**Table 5.1: A comparison of the cultures of the two companies**

<b>Naspers Culture</b>	<b>Tencent Culture</b>
<p><b>Multinational (Multidomestic)</b></p> <ul style="list-style-type: none"> <li>·Country autonomy</li> </ul> <p><b>Strategy</b></p> <ul style="list-style-type: none"> <li>·Focus on Investments and Technology</li> <li>·Build Digital Subscriber Base</li> <li>·Grow Internet Businesses</li> <li>·Maintain Local Approach</li> <li>·Provide Quality Service</li> </ul> <p><b>Mission</b></p> <ul style="list-style-type: none"> <li>·To build shareholder value</li> <li>·To license related technologies</li> <li>·To be useful to the communities it serves</li> </ul> <p><b>Ethics</b></p> <ul style="list-style-type: none"> <li>·Community</li> <li>·Connection</li> <li>·Communication</li> </ul>	<p><b>International (Centrist/ Regional)</b></p> <ul style="list-style-type: none"> <li>·More centralised at corporate and sector levels</li> </ul> <p><b>Vision</b></p> <p>" To becoming a top Internet enterprise"</p> <ul style="list-style-type: none"> <li>·Top technology</li> <li>·Top applications</li> <li>·Best service</li> <li>·Best team</li> </ul> <p><b>Mission</b></p> <ul style="list-style-type: none"> <li>·To be users' reliable friend</li> <li>·To be a happy and motivated 'University'</li> <li>·To take a leading market position</li> <li>·To be a respectable business partner</li> <li>·To achieve stable and sustainable profit</li> </ul> <p><b>Value</b></p> <ul style="list-style-type: none"> <li>·Practical and Devoted</li> <li>·Innovative</li> <li>·Teamwork</li> </ul>

<ul style="list-style-type: none"> <li>· Commitment</li> <li>· <b>Employee and customer oriented</b></li> <li><b>Corporate Governance</b>– more levels, more considerate to people, internal auditor, risk awareness.</li> <li>· The board</li> <li>· Board committees</li> <li>· The company secretary</li> <li>· Risk management</li> <li>· Internal control systems</li> <li>· Internal audit</li> <li>· Relations with shareowners</li> <li>· Business ethics</li> <li>· Remuneration philosophy</li> <li>· Subsidiaries</li> <li>· Environment</li> <li>· Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>· Happy Working</li> <li>· Responsible and Conscientious</li> <li>· <b>Employee, customer and market (profit) oriented</b></li> <li><b>Corporate Governance</b>– external auditor</li> <li>· Shareholders</li> <li>· The board</li> <li>· Board committees</li> <li>· Internal controls</li> <li>· External auditors</li> <li>· Code of conduct</li> </ul>
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**Both**

**Strategic/ Visionary**

- Technology orientation
- Quality Service focused

**Customer focused**

- Naspers– responsible to shareholders, communities it serves
- Tencent– be good to its users, business partners

### **Value**

- Cooperation and communication
- Devotion

### **People focus**

- Naspers– integrity chain
- Tencent– happy and motivated working

### **Rigidity/ Formality**

- Chain of command
- High-control orientation
- Rules and procedures

The comparison reveals that Naspers represents a typical multinational group from South Africa, while Tencent represents a typical Chinese national company. The property of these two companies determines that Naspers is a group that is multi-cultural: it gives autonomies to local subsidiaries in each country; while Tencent focuses its growing within the nation countrywide. It is observed from their organisational culture that both Naspers and Tencent uphold an employee and customer orientation. Furthermore, Naspers has highly control-oriented corporate governance and integrity because of its more complex company structure across countries; compared to Naspers, Tencent follows a more laid-back culture by offering a “university-like” environment. Both these companies pay attention to their technology and services. Further interpretation follows below.

### **5.2.3 Interpretation**

#### **Multinational:**

Multinationals are companies whose business involves several different countries, or is conducted in several different countries. Strictly, a true multinational corporation is a business firm that has extensive international operations in more than one foreign country. Naspers is a multinational media group with its principal operations in electronic media and print media. Naspers’ most significant operations are located in South Africa, where it generates

approximately 72% of its revenues, with other significant operations located elsewhere in Sub-Saharan Africa, Greece, Cyprus, the Netherlands, the United States, Thailand and China.

**International:**

Internationals are companies whose business involves more than one country. They do have partnerships in other countries, but they do not register offices by their names in foreign countries. Tencent is a typical international company, and is one of the first Internet Instant Messaging (IM) software developers in China, as well as a leading provider for Internet and mobile value-added services with a focus on IM and related value-added services. Its headquarters are in Shenzhen, and it has sub-offices in Beijing, Shanghai, etc., around China. Tencent has built some cooperation with other media companies in other countries, such as Naspers in South Africa, but it does not have sub-office outside China.

**Strategy:**

A company's strategy is a detailed plan for achieving success in its business or other types of outcome. Take Naspers and Tencent as examples: both of them focus on their technology and service, which are invisible outcomes, but in the meanwhile are important ways to update themselves and gain more customers.

**Vision:**

A company's vision is the ability to imagine how its business will develop in the future and to plan in a suitable way. As far as I understand, vision is a long-term prospective, or even an ideal goal to be focused on. Tencent is an example of this: its vision is to be a top internet enterprise.

**Mission:**

Mission refers to an important job. It is used by a company to describe its main task or work. In Naspers, the mission focuses more on people related to it, such as customers and shareholders. In Tencent, we can see that its main task is based on markets and profits.

**Ethics:**

An organisation's ethics involve a system of accepted beliefs that control behaviour. In Naspers, for example, their aspiration towards ethics is captured in their INTEGRITY CHAIN, which

expresses the guiding principles that bind them to one another and to their stakeholders. The aspiration to comply with this code applies to all directors, officers and employees in the Naspers Group and the application of these principles underpins the specific procedures employed by the companies in the Naspers Group.

**Value:**

Value refers to the importance or worth of the organisation. We use it to evaluate our own behaviour and that of others. Values give us a sense of right and wrong, good and bad. Values explain what the company is good for and what makes the company meaningful.

**Corporate Governance:**

Corporate Governance has to do with how to control and direct the public business of people in the group. The Cadbury Committee (1992) defined it in terms of the systems through which companies are directed and controlled. In organisations, strict management structures, relationships between different levels, and internal or external guidance and rules support the whole system to work effectively. From the comparison, it shows that Naspers has more intensive corporate governance than Tencent. It has more levels, more consideration of people, greater risk awareness and so on. While Tencent, besides its general structures of corporate governance, has external auditors who offer the organisation more overall information.

**5.2.4 Cultural attributes extracted from the comparison**

In order to assist with the later conclusion, cultural attributes extracted from Table 5.1 are transformed into micro ingredients in Table 5.2:

**Table 5.2: A comparison of the cultural attributes of the two companies**

Naspers Culture	Tencent Culture
<b>Common points</b>	
<ul style="list-style-type: none"> <li>▪ Shareholder focus</li> <li>▪ Technology focus</li> <li>▪ Customer focus</li> <li>▪ Market focus</li> <li>▪ Service focus</li> <li>▪ Integrity focus</li> <li>▪ Innovation focus</li> <li>▪ Ethics- honesty, fairness and legality</li> </ul>	<ul style="list-style-type: none"> <li>▪ Shareholder focus</li> <li>▪ Technology focus</li> <li>▪ Customer focus</li> <li>▪ Market focus</li> <li>▪ Service focus</li> <li>▪ Integrity focus</li> <li>▪ Innovation focus</li> <li>▪ Ethics- honesty and respect</li> </ul>
<b>Difference</b>	
<ul style="list-style-type: none"> <li>* Multinational</li> <li>* Investment focus</li> <li>* Local approach focus</li> </ul>	<ul style="list-style-type: none"> <li>* National</li> <li>* Application focus</li> <li>* Teamwork focus</li> <li>* Happy and motivated environment focus</li> <li>* Business partner focus</li> <li>* Profit focus</li> </ul>

### ***5.3 Conclusion from the comparison***

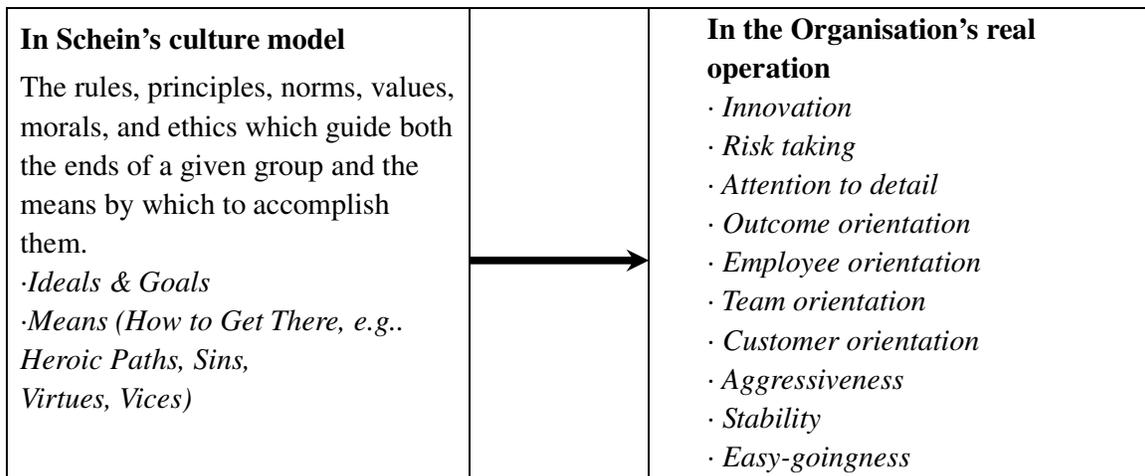
#### **5.3.1 Extract from the comparison**

The above analysis draws a picture of each company's culture according to Schein's framework. It helps me to understand organisational culture from an abstract to a concrete way. The previous literature study has identified three levels of organisational culture: Artefacts and creations, Values and Basic assumptions. These three levels range from the very tangible overt manifestations that one can see and feel to the deeply embedded, unconscious, basic assumptions that are defined as the essence of culture. In between these layers are various espoused beliefs,

values, norms, and rules of behaviour that members of the culture use as a way of depicting the culture to themselves and others, which is the second layer. The first level is visible and easy to understand; and the third level is a taken-for-granted layer, which is more difficult for me as an outsider to discover and study. Therefore, I would like to choose “Value” as my subject to analyse some important factors that affect a company’s operation.

From Chapter 2, we get some useful information concerning some characteristics of organisational culture. They are viewed by different researchers and from different perspectives. From there important culture attributes that represent the second level of culture (Values and ideology) are chosen, combining these with the Schein’s model and the comparison in Table 5.1 to answer this question: In the organisation’s real operation, what culture attributes embody the Value layer of Organisational Culture?

The culture attributes here comprise the detailed factors rather than the abstract categories to which they belong. Figure 5.1 shows the items extracted from the above information.



**Figure 5.1: Culture attributes extracted according to Schein’s Model**

The Naspers and Tencent cultures are interpreted in Chapter 2 and Chapter 3 respectively, from which the cultural attributes are concluded in terms of the second level of Schein’s culture model. Cultural attributes from Figure 5.1 are therefore interpreted into Figure 5.2, which combines the Naspers and Tencent cultures.

<p><b>Naspers</b></p> <ul style="list-style-type: none"> <li>·Multinational and local approach</li> <li>·Shareholder focus</li> <li>·Technology focus</li> <li>·Customer focus</li> <li>·Market focus</li> <li>·Service focus</li> <li>·Integrity focus</li> <li>·Innovation focus</li> <li>·Ethics- honesty, fairly and legally</li> <li>·Investment focus</li> </ul> <p><b>Tencent</b></p> <ul style="list-style-type: none"> <li>·National and countrywide focus</li> <li>·Shareholder focus</li> <li>·Technology focus</li> <li>·Customer focus</li> <li>·Market focus</li> <li>·Service focus</li> <li>·Integrity focus</li> <li>·Innovation focus</li> <li>·Ethics- honesty and respect</li> <li>·Application focus</li> <li>·Teamwork focus</li> <li>·Happy and motivated environment</li> <li>·Business partner focus</li> <li>·Profit focus</li> </ul>		<ul style="list-style-type: none"> <li>·Innovation</li> <li>·Risk taking</li> <li style="padding-left: 20px;">Risk taking</li> <li style="padding-left: 20px;">Investment</li> <li>·Attention to detail</li> <li style="padding-left: 20px;">Ethics</li> <li>·Outcome orientation</li> <li style="padding-left: 20px;">Market</li> <li style="padding-left: 20px;">Service</li> <li style="padding-left: 20px;">Application</li> <li style="padding-left: 20px;">Profit</li> <li>·Employee orientation</li> <li style="padding-left: 20px;">Integrity</li> <li style="padding-left: 20px;">Happy and motivated environment</li> <li>·Team orientation</li> <li>·Customer orientation</li> <li>·Aggressiveness</li> <li style="padding-left: 20px;">Technology</li> <li style="padding-left: 20px;">Innovation</li> <li style="padding-left: 20px;">Teamwork</li> <li>·Stability</li> <li style="padding-left: 20px;">Countrywide focus</li> <li style="padding-left: 20px;">Local approach</li> <li style="padding-left: 20px;">Shareholder</li> <li style="padding-left: 20px;">Business partner</li> <li style="padding-left: 20px;">Integrity</li> <li>·Easy- goingness</li> <li style="padding-left: 20px;">Happy and motivated environment</li> </ul>
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**Figure 5.2: Cultural attributes of Tencent and Naspers**

### 5.3.2 Interpretation

#### *Innovation*

Innovation reflects the degree to which employees are encouraged to be innovative. In other words, it is the extent to which employees are expected to be creative and generate new ideas. Peter F. Drucker, in “Managing Invention and Innovation”, says that “the best organisations don’t stagnate; they innovate.” And they are able to innovate on an on-going basis – they value and expect “innovation”, and it becomes a normal part of everyday operations. “Innovation is the process of creating new ideas and putting them into practice”, says Edward B. Roberts. It is the

means by which creative ideas find their way into everyday practices, ideally practices that contribute to improved customer service or organisational productivity. Innovation, for me, is the power, which promotes the organisation to grow and prosper. In this information and technological world, everything is changing fast because of the competitive environment. Companies that are conservative and cling to their traditional or old products, technologies, management modes, etc. will be eliminated from the game. In contrast, it is much easier for innovative companies to survive and develop. Take Tencent for example; it takes being innovative as a company value. It dedicates itself to develop new services to meet the needs of its users and to maintain its leadership in China's IM market. Therefore Tencent always "surprises" its customers by providing new and updated service and products. The edition of its communication product QQ is renewed every a few months, it offers more considerate tools and service to its customers, which results in QQ's unmovable position in the market. Tencent's basic strategy is to be innovative in driving the growth of both employees and the company. Naspers people also work hard at product innovation and analysing emerging trends, and Naspers invests significant resources in developing new products and services.

### ***Risk Taking***

In organisations, innovation is often related to risk. Risk taking reflects the degree to which employees are encouraged to take risks. Innovation does not always bring success. Members in the organisations, by acknowledging their strategy, must accept the willingness to take risks, while simultaneously being held accountable for their actions. The risk-taking procedure is taken and affects the whole group from the personal worker to teams and up to the headquarters. It is important to notice that change, once started, is difficult to reverse. Therefore, it is essential to master detailed information related to the change about the organisation's overall operations, including financial information concerning individual members and departments. Naspers is a good example of risk awareness. The earlier introduction to Naspers' culture shows that risk management is an important item in the organisation's corporate governance. Naspers is aware that, as an international multimedia group with various business activities, the group is exposed to a wide range of risks, and some may have serious consequences. However, the diversified nature of the group helps to spread the risk. Identification of risk and its management form part

of each business unit's business plan. The budget committee assesses these on an annual basis. Major group companies have specific risk management functions. The audit and risk committee also reviews the risk management process. The following risks are identified as the major risks among the wide range of exposures: Geopolitical or economic instability; regulatory disruption; satellite failure; competition and technical innovations; and currency fluctuations. In addition, investment, as one of the group's strategies, also needs to be managed with risk taking in the new or potential business and market. In Tencent, the board also ensures that the group has appropriate risk management.

### ***Attention to Detail***

Attention to detail represents the degree to which employees are expected to exhibit precision, analysis, and attend to detail. It concerns being analytical and precise. Employees' performance is directly related to the organisation's efficiency. In the global competitive economy, a tiny flaw may cause the failure of a company. It is reasonable for customers to be driven to be more interested in products and services that are more considerate. Therefore, employees in organisations are encouraged and motivated to pay extreme attention to detail in order to win the position in the market. They need to be careful, thorough, responsible, organised, self-disciplined and scrupulous, rather than irresponsible, disorganised, lacking in self-discipline and unscrupulous. The business ethics of both of Naspers and Tencent embodies their attention to details. It offers employees honesty and respect, gives customers fair and legal service.

### ***Outcome Orientation***

Outcome orientation is also called results orientation. It shows the strength of its concern for achieving desired results. It is the degree to which management focuses on results or outcomes rather than on the techniques and processes used to achieve these outcomes. The outcome-orientation organisations focus more on completing the task and use close supervision so that subordinates perform their tasks using specified procedures. The leader relies on coercion, reward, and legitimate power to influence the behaviour and performance of followers. In this style, concern for people seems to be an important luxury, but cannot always be afforded. Take Tencent for example; compared to Naspers, it is more outcomes orientated. Besides the fact that it offers employees a happy and motivated working environment and provides top service to

its users, Tencent also focuses on gaining a leading market position and stable and sustainable profit. Market and service focuses in both of these companies show the outcome orientation. In addition, Tencent's focus on application and profit also implies the company's orientation on outcome.

### ***Employee Orientation***

Employee orientation relates to the orientation towards employees. In organisational culture, it represents being fair, supportive and showing respect for individual rights. It is the degree to which management decisions take into consideration the effect of outcomes on people within the organisation. In this type of business, it is recognised that it is individual employees who deliver productivity in the dynamic, real-time world of organisations. Consequently, it is necessary for all employees to seek to perform better and all management practices should support this ideal. It also recognises that peer group pressure can be a major stimulant to the level of delivered performance actually achieved. The employee-centred organisations focus on the people doing the work and believe in delegating decision making and aiding followers in satisfying their needs by creating a supportive work environment. The leaders concern themselves with the follower's personal advancement, growth, and achievement. It emphasises individual and group development with the expectation that effective work performance will follow naturally.

### ***· Motivation***

In employee-orientation styled culture, motivation is one of the essential components that promote the continued existence of organisation. Motivation is the concept we use when we describe the forces acting on or within an individual to initiate and direct behaviour. One reason why our understanding of motivation is important is that high levels of motivation are significant contributors to exceptional performance. Managers prefer highly motivated employees because they strive to find the best way to perform their jobs. Motivated employees are interested in producing high-quality products or services; they're more likely to be productive than are unmotivated or apathetic workers. They want to come to work and be part of a team; they are interested in helping, supporting, and encouraging co-workers. Self-confident and decisive employees display these and other desirable actions.

• *Communication*

Communication is another fundamental aspect of employee-focused culture. Communication entails the evoking of a shared or common meaning in another person. One key purpose of organisational communication is to direct action, that is, to get others to behave in a desired fashion. Communication is the key to these attempts at coordination. Without it, people would not know what to do, and organisations would not be able to function effectively.

Naspers' integrity chain sets a good example of an employee orientated style. Everyone in the company is treated with fairness and respect. They appreciate every person's dignity and diversity. They do not allow unfair discrimination and they are committed to employment equity. Consequently, employees are more motivated to contribute to the company because of being aware of their importance and being taken care of. Except for focusing on integrity, Tencent provides a happy and motivated work environment to its employees, making them feel like classmates. They advocate balance between work and life to their people.

*Team Orientation*

Team orientation is the degree to which work activities are organised around teams rather than individuals. Teams are a special type of task group, consisting of two or more individuals responsible for the achievement of a goal or objective. In other words, a team is a small group of people with complementary skills, who work together actively to achieve a common purpose for which they hold themselves collectively accountable. Teams are very useful in performing work that is complicated, complex, interrelated, and/or too voluminous for one person to handle. Teams comprise one of the major forces behind today's revolutionary changes in organisations. It is believed that the forms of teams would bring enhanced productivity, flattening of organisations, need for flexibility and quicker decisions, workforce diversity, improved quality, and increased customer satisfaction. Schermerhorn, Hunt, and Osborn's research on organisational behaviour claims that "there are teams that recommend things"; "there are teams that run things"; and "there are teams that make or do things". In Tencent, teamwork is seen as the company's competitive edge. People work together closely like classmates at university, supporting each other in their work. They encourage new ideas and constructive debate to realise teamwork.

### *Customer Orientation*

Organisations are becoming more customer-focused to meet changing product and service demands, as well as the customer's expectations of high quality. Quality has the potential for giving organisations in viable industries a competitive edge for meeting international competition. Customers are the final persons who have a right to say yes or no to a company's product or service. They may promote or destroy a company's development. Having observed this trend, both Naspers and Tencent take care of customers. Naspers realises it by providing customers with quality service. Tencent people want to be the users' reliable friend; they hope their offering will become an integral part of their lives, like water and electricity.

### *Aggressiveness*

Aggressiveness refers to the degree to which people are aggressive and competitive rather than easygoing. People in this cultural environment show high levels of competitiveness, irritability, and time urgency— they are always in a hurry. This type tends to work faster on many tasks than the easy-going type, even when no pressure or deadline is involved. Similarly, they are able to get more done in the presence of distractions, says Glass, (1977). In addition, aggressiveness often push employees to seek more challenges in their work than easy-goingness. Holmes, Mcgilley, and Houston (1984), in “Task-related arousal of Type A and Type B persons: level of challenge and response specificity” conclude that, given a choice, people with aggressiveness tend to select more difficult or complex tasks. Aggressiveness produces a highly competitive environment that activates employees to perform efficiently, but it, on the other hand, does not always perform better than easy-goingness. For example, people in aggressive environments frequently do poorly in tasks requiring patience or careful judgment; aggressiveness can also bring unexpected stress to employees that may sometimes result in inefficiency. In facing the competitive market, Naspers uses product and technical innovation to maintain and enforce its position. With the same strategy as Naspers regarding technology, Tencent sees teamwork as the competitive edge for its success.

### *Stability*

Stability is used to value a stable, predictable, rule-orientated environment. It is the degree to which organisational activities emphasise maintaining the status quo in contrast to growth. It is easy to understand that everyone wants to be in a stable organisation. Stability gives employees the feeling of being settled and comfortable. People in a stable working environment usually seem calm, enthusiastic, poised and secure; they are more likely to concentrate on their tasks. It is noticeable that the two companies maintain their stability by paying attention to a range of specific factors. For example, Naspers' focus on shareholders, integrity and local involvement contribute the group's stability. In Tencent, the focus on countrywide outreach, shareholders, integrity and business partners enables the stability of the company.

### *Easy-goingness*

Easy-goingness refers to the extent to which the work atmosphere is relaxed and laid back. Compared to the above passage on aggressiveness, easy-goingness has the advantage when it comes to tasks involving complex judgments and accuracy as opposed to speed. It also offers a solution to an extremely nervous environment. But it is advisable for easy-goingness to be controlled to a certain extent, because employees would easily become lazy if the working atmosphere is too relaxed and laid back. Tencent's happy and motivated environment implies an orientation of easy-goingness.

### **5.3.3 Conclusion**

These ten culture attributes derived from the above represent the main factors to which we should attend when it comes to managing organisational culture. In combining the culture of Naspers and Tencent, the two companies' cultural attributes embody and are to some extent included in the ten cultural attributes. They do not exclude one another. An organisation can namely practise an outcome-oriented culture and a people-oriented culture as well; it can be aggressive, but in the meanwhile provide a laid-back environment for its employees from time to time. A successful company knows how to balance those factors that seem to be in opposition, for each of them has an advantage to promote in a company's life. Furthermore, it seems that Naspers and Tencent both focus on several cultural attributes at the same time, but all the focuses are not applied equally. Each of the two companies picks up the most important factors for their

main orientation and works on those, in the meanwhile also paying attention to the rest. In this way, the cultural attributes are in balance and the unique features of the company are formed.

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# Appendix 1

## Interview with Naspers

An interview to gain information to do a comparative research study on organisational culture was organised with Dr George Coetzee, who is the Executive Director Human Resources at NASPERS. Information regarding the culture, ethics and values of NASPERS and guidance as to its affiliate company in China were provided through the interview.

### List of Questions

Questions that were asked and the answers that were obtained are as follows:

Q: Do you have your own definition for culture (a broad definition)?

A: *“The way we do things in executing our strategy”* can be taken as our definition of culture. Our strategy abroad involves partnerships, which implies that we must be sensitive to that culture.

Q: What do you think about organisational culture, what role do you think it plays in an organisation, especially in multinationals.

A: Organisational culture is crucial to manage if you want to be successful as a multinational.

Q: Could you give me some information about the characters of South Africa culture? (A broad culture, e.g. national culture)

A: One of the characteristics of SA culture abroad is possibly that it's less security-orientated and allows for diversity.

Q: What do you know about Chinese culture? (A broad culture, e.g. national culture) A: Chinese culture has unique characteristics which must be catered for.

Q: Focusing on organisation, what are the characteristics of South African organisational culture?

A: Some characteristics of SA culture: hard-working, performance-orientation.

Q: As far as you know, what is your impression on Chinese organisational culture? What do you think are advantages and disadvantage from both sides?

A: Perception of Chinese culture: Place a high value on trust and loyalty. In combination, the two cultures can supplement each other.

Q: What in your opinion can solve the cultural problem or conflict in multinationals; could you take an example from your experience?

A: Must be sensitive for the cultural aspects of countries in which you do business. The use of local partners can help in this process. Example: Tencent in China.

Q: From the following profile of Naspers, please pick out those aspects which belong to your culture area: About Naspers, Strategy, Company structure, Company history, Directors, Senior management, Corporate governance, Code of ethics, Corporate responsibility, Transformation, Access to information.

A: All of them can be linked to our culture.

- About Naspers – Vision and mission tell something of our culture
- Strategy – entrepreneurial culture therefore is the focus in support of our strategy
- Company structure - decentralised
- Company history – what we are good at
- Directors – focus on integrity and growth
- Senior management – focus on performance, initiative, integrity
- Corporate governance – focus on discipline and integrity
- Code of ethics – focus on different aspects of integrity
- Corporate responsibility – acknowledge our role in this respect
- Transformation – requires willingness to change and respect for diversity
- Access to information – willingness to share information where applicable

Q: What are the special or unique aspects of organisational cultures in Naspers?

A: The focus on intra(sic) and entrepreneurship is a unique characteristic of our culture.