**The Culture Wars**

When it comes to corporate culture, Allan Kennedy wrote the book. An interview with the co-author of the widely misunderstood "Corporate Cultures: The Rites and Rituals of Corporate Life."

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**When it comes to corporate culture,** [**Allan Kennedy**](http://www.inc.com/topic/Allan+Kennedy) **wrote the book. Too bad American managers misread it**

In 1982, with a small book called Corporate Cultures: The Rites and Rituals of Corporate Life, coauthors [Terrence E. Deal](http://www.inc.com/topic/Terrence+Deal), then a professor at [Harvard University Graduate School of Education](http://www.inc.com/topic/Harvard+University+Graduate+School+of+Education), and Allan A. Kennedy, then a consultant at [McKinsey & Co.](http://www.inc.com/topic/McKinsey+%26+Company), popularized a phrase and legitimized an idea that has since been used and abused by a generation of company builders and managers.

The idea that companies had cultures wasn't itself new. The book's value was to suggest ways that entrepreneurs and managers could evaluate and describe the cultures in their companies, understand how those cultures are created, and appreciate the role cultures play in promoting or inhibiting a company's business success. Predictably, Corporate Cultures sparked a management fad and spawned an industry of "culture consultants." Also predictably, much of what the consultants preached, and what managers did in the name of corporate culture, was not what Deal and Kennedy had intended.

Inc. executive editor [Michael Hopkins](http://www.inc.com/topic/Michael+Hopkins) and former senior writer [Tom Richman](http://www.inc.com/topic/Tom+Richman) recently talked with Allan Kennedy.

**Inc.:** For all of what Corporate Cultures told its readers, you never really said what they should do with the information. What did they do with it?

**Kennedy:** Our original purpose in writing the book was to get the subject of culture on the management agenda and to sensitize managers to its importance. Some people, however, heard only part of what we said, the part about culture being helpful to a company's performance. A lot of managers of companies large and small came to us and said, "We want one of those things." We said, "But you have one." They said, "But we want the kind that produces superior performance." Bizarre. Also, what I call the "culture industry" grew quite large after the book came out. Numerous consulting firms claimed to do cultural change--almost as many as claim to do reengineering nowadays.

**Inc.:** And you think that was quackery?

**Kennedy:** I think it was close to quackery. I am and have been an old-fashioned business consultant, concerned about what it takes to make a business work. Obviously, I try to be sensitive to cultural issues, but easily three-quarters of my professional career, almost 30 years, has been spent on what most of the world would view as strategic matters: How do we make this business grow? How do we make it survive? Those are not really cultural problems. You can't work on cultural problems except in a strategic-business context.

**Inc.:** I take it then that you don't believe that culture is everything in managing a company?

**Kennedy:** After Corporate Cultures came out, people kept asking us, "So, what you're saying is, 'Manage the culture and forget everything else'?" And we kept protesting, "No, no, cultural management is just part of management." There are good current examples of how cultural management can improve a company's performance. I'm thinking of [Southwest Airlines](http://www.inc.com/topic/Southwest+Airlines+Inc.) and [Continental Airlines](http://www.inc.com/topic/Continental+Airlines+Inc.), for instance. Both managements understood that they had to build cultures that worked for their respective strategies, which are very different. Both managements were conscious that they needed employees to buy into their strategies and to contribute enormously if the companies were going to be successful. So they tilted their management to create self-reinforcing cultural mechanisms. And they've been successful, not because they created particular cultures but because they created cultures that are consistent with their business strategies. A culture may help or hinder a company, but if you get the strategy wrong, you're dead in the water no matter what you do culturally.

**Inc.:** Now that you've seen how people have used--or misused--the idea of managing corporate cultures, have you given new thought to the subject?

**Kennedy:** We have, and a lot of other people have thought about it, too, but I'm not sure that anyone has cracked the problem of managing an organization's culture in a way that represents a breakthrough. The culture of any organization is still a reflection of the deeply held values and behaviors of relatively few individuals--in the case of large companies, those of the CEO and maybe a handful of very senior executives. In the case of small companies, culture may flow from the values held by the founder or CEO alone. Thus, personal leadership is central to building a strong culture in a company. Which, by the way, gives small companies a real competitive advantage in today's business environment, I think.

# Deal and Kennedy's cultural model

[Explanations](http://changingminds.org/explanations/explanations.htm) > [Culture](http://changingminds.org/explanations/culture/culture.htm) > Deal and Kennedy's cultural model

[Feedback](http://changingminds.org/explanations/culture/deal_kennedy_culture.htm#Feedback) | [Risk](http://changingminds.org/explanations/culture/deal_kennedy_culture.htm#Risk) | [The four cultures](http://changingminds.org/explanations/culture/deal_kennedy_culture.htm#Four) | [So what?](http://changingminds.org/explanations/culture/deal_kennedy_culture.htm#So)

Deal and Kennedy's model of culture is based on characterizing different four types of organization, based on how quickly they receive feedback and reward after they have done something and the level of risks that they take.

## Feedback and reward

A major driver of people in companies and hence their culture is the general feedback and specific rewards that tell them they are doing a good or bad job.

If this feedback is immediate or shorter-term, it will quickly correct any ineffective behavior and hence lead to a consistent culture (those who cannot survive will quickly find out and either leave or be sacked).

If the feedback takes longer to arrive, then can leave mistakes uncorrected, but it also lets people look further out into the future. Either way, there is likely to be some substitute activity (such as process management) to help keep things on track until actual results are known.

## Risk

Uncertainty and risk are something that some people hate and some people thrive on. In either case, it is another motivating force that leads people to focus on managing it.

Where the risk is low, people may be willing to take risks up to their acceptable limit. Where they are high, the risks need to be managed or accepted. High risk companies are more likely to include people who enjoy the frisson of taking a gamble.

|  |  |  |  |
| --- | --- | --- | --- |
|  | | **Risk** | |
| Low | High |
| **Feedback and reward** | Rapid | **Work-hard,  play-hard  culture** | **Tough-guy macho culture** |
| Slow | **Process  culture** | **Bet-the- company culture** |

## The four cultures

### Work-hard, play-hard culture

This has rapid feedback/reward and low risk, leading to:

* Stress coming from quantity of work rather than uncertainty.
* High-speed action leading to high-speed recreation.
* Eg. Restaurants, software companies.

### Tough-guy macho culture

This has rapid feedback/reward and high risk, leading to:

* Stress coming from high risk and potential loss/gain of reward.
* Focus on the present rather than the longer-term future.
* Eg. police, surgeons, sports.

### Process culture

This has slow feedback/reward and low risk, leading to:

* Low stress, plodding work, comfort and security. Stress may come from internal politics and stupidity of the system.
* Development of bureaucracies and other ways of maintaining the status quo.
* Focus on security of the past and of the future.
* Eg. banks, insurance companies.

### Bet-the-company culture

This has slow feedback/reward and high risk, leading to:

* Stress coming from high risk and delay before knowing if actions have paid off.
* The long view is taken, but then much work is put into making sure things happen as planned.
* Eg. aircraft manufacturers, oil companies.

# So what?

So if you are influencing into an organization, find out what style it has and adjust your approach accordingly. If you are a member of the organization, you may understand why you are either right at home or way out of place.

# The Competing Values Framework

[Explanations](http://changingminds.org/explanations/explanations.htm) > [Culture](http://changingminds.org/explanations/culture/culture.htm) > The Competing Values Framework

[Cultural dimensions](http://changingminds.org/explanations/culture/competing_values.htm#cul) | [Competing Values](http://changingminds.org/explanations/culture/competing_values.htm#com) | [OCAI](http://changingminds.org/explanations/culture/competing_values.htm#oca) | [So what?](http://changingminds.org/explanations/culture/competing_values.htm#so)

The Competing Values Framework for cultural assessment was distilled by Quinn and Rorbaugh (1983) from analysis of Campbell's longer list of effectiveness dimensions into a two dimensional pattern.

## Cultural dimensions

### Horizontal: In/Out

The horizontal dimension maps the degree to which the organization focuses inwards or outwards. To the left, attention is primarily inwards, within the organization, whilst to the right, it is outwards, towards customers, suppliers and the external environment.

An internal focus is valid in environments where competition or customer focus is not the most important thing, but in competitive climates or where external stakeholders hold sway, then this challenge must be met directly.

### Vertical: Stability/Flexibility

The vertical axis determine who makes decisions. At the lower end, control is with management, whilst at the upper end, it is devolved to employees who have been empowered to decide for themselves.

Stability is a valid form when the business is stable and reliability and efficiency is paramount, but when environmental forces create a need for change, then flexibility becomes more important.

## The Competing Values map

|  |  |  |  |
| --- | --- | --- | --- |
|  | Flexibility and discretion | |  |
| Internal focus and integration | **Clan** | **Adhocracy** | External focus and differentiation |
| **Hierarchy** | **Market** |
|  | Stability and control | |  |

The four hierarchies are to some extent historical in their development and are presented in this order below.

### Hierarchy

The hierarchy has a traditional approach to structure and control that flows from a strict chain of command as in [Max Weber](http://changingminds.org/disciplines/sociology/theorists/weber.htm)'s original view of bureaucracy. For many years, this was considered the only effective way of organizing and is still a basic element of the vast majority of organizations.

Hierarchies have respect for position and power. They often have well-defined policies, processes and procedures.

Hierarchical leaders are typically coordinators and organizers who keep a close eye on what is happening.

### Market

The Market organization also seeks control but does so by looking outward, and in particular taking note of [transaction cost](http://changingminds.org/explanations/trust/transaction_cost.htm).

Note that the Market organization is *not* one which is focused just on marketing, but one where all transactions, internal and external are viewed in market terms. Transactions are *exchanges of value*. In an efficient market organization, value *flows* between people and stakeholders with minimal cost and delay.

Market cultures are outward looking, are particularly driven by results and are often very competitive.

Leaders in market cultures are often hard-driving competitors who seek always to deliver the goods.

### Clan

The Clan organization has less focus on structure and control and a greater concern for flexibility. Rather than strict rules and procedures, people are driven through vision, shared goals, outputs and outcomes.

In contrast to Hierarchies, clans often have flat organizations and people and teams act more autonomously.

It has an inward focus and a sense of family and people work well together, strongly driven by loyalty to one another and the shared cause. Rules, although not necessarily documented, do still exist and are often communicated and inculcated socially.

Clan leaders act in a facilitative, supportive way and may take on a parental role.

### Adhocracy

The Adhocracy has even greater independence and flexibility than the Clan, which is necessary in a rapidly changing business climate.

Where market success goes to those with greatest speed and adaptability, the adhocracy will rapidly form teams to face new challenges. It will use prototyping and experimenting rather than long, big-bang projects and development.

Leaders in an adhocracy are visionary, innovative entrepreneurs who take calculated risks to make significant gains.

## The Organization Culture Assessment Instrument (OCAI)

The OCAI is a simple questionnaire that has six categories in which you distribute 100 points between four sub-items for each that represent the four Competing Values cultures, where:

* Type A style indicates a Clan culture
* Type B style indicates an Adhocracy culture
* Type C style indicates a Market culture
* Type D style indicates a Hierarchy culture

|  |  |
| --- | --- |
| **Category** | **Style** |
| 1. Dominant organizational characteristics | A: Personal, like a family  B: Entrepreneurial, risk taking  C: Competitive, achievement oriented  D: Controlled and structured |
| 2. Leadership style | A: Mentoring, facilitating, nurturing  B: Entrepreneurial, innovative, risk taking  C: No-nonsense, aggressive, results oriented  D: Coordinating, organizing, efficiency oriented |
| 3. Management of employees | A: Teamwork, consensus, and participation  B: Individual risk taking, innovation, freedom, and uniqueness  C: Competitiveness and achievement  D: Security, conformity, predictability |
| 4. Organizational glue | A: Loyalty and mutual trust  B: Commitment to innovation, development C: Emphasis on achievement and goal accomplishment  d: Formal rules and policies |
| 5. Strategic emphasis | A: Human development, high trust, openness  B: Acquisition of resources, creating new challenges  C: Competitive actions and winning  D: Permanence and stability |
| 6. Criteria for success | A: Development of human resources, teamwork, concern for people  B: Unique and new products and services  C: Winning in the marketplace, outpacing the competition  D: Dependable, efficient, low cost |

This is often done twice: once for 'now' and once for 'preferred'.

The scoring is then summed across A, B, C and D for each category, to give axis scores, which is plotted on a chart which then shows the differences between 'now' and 'preferred' and hence guides actions to close these gaps.

# So what?

As with other models, this may be used to help understand your working environment and match the culture to the operational climate

# Denison Culture Model

### Culture Model: Additional Information

Check out the following sections for information related to the Denison Culture Model.

* [Culture Products](http://www.denisonconsulting.com/products/cultureProducts.aspx)
* [Culture Change resources](http://www.denisonconsulting.com/resources/ResourcesbyTopic/CultureChangeResources.aspx)
* [Culture and Organizational Performance](http://www.denisonconsulting.com/resources/ResourcesbyTopic/CultureAndPerformanceResources.aspx)

The Denison Model is the result of over twenty-five years of research by Dr. Daniel Denison, formerly of the University of Michigan Business School, and currently Professor of Organizational Development at IMD - International Institute of Management Development in Lausanne, Switzerland, on the link between organizational culture and bottom-line performance measures such as return on investment, sales growth, quality, innovation and employee satisfaction. The model is the basis for two diagnostic surveys, the Organizational Culture Survey and the Leadership Development Survey, developed by Daniel R. Denison and William S. Neale which have been used by over 5000 organizations worldwide.

The Denison model measures four critical traits of culture and leadership ([mission](http://www.denisonconsulting.com/advantage/researchModel/model/mission.aspx), [adaptability](http://www.denisonconsulting.com/advantage/researchModel/model/adaptability.aspx), [involvement](http://www.denisonconsulting.com/advantage/researchModel/model/involvement.aspx), and [consistency](http://www.denisonconsulting.com/advantage/researchModel/model/consistency.aspx)). Each of these traits is further broken down into three indices (for a total of 12).

### Click on each section of the model to learn more about each trait and index.

