

# **Organizational Culture – The Internal Risk Map of a Company**

## ***Organizational Culture Today***

Organizational culture is in the focus of most companies today. It seems undisputed that a good organizational culture directly influences company results through better employee engagement. However, a survey of organizational culture goes far beyond challenges in the personnel field and actually allows a good assessment of a company's internal opportunities and risks.

Organizational culture is a strange animal. It can be compared to the famous elephant in the Indian proverb about the four blind persons who were for their first time in front of an elephant. One was touching the trunk and got his idea about the animal. The second was first grasping the ear and developed his perception about the elephant. The third was near the huge belly and felt the rough skin and had his own impression about the animal they had encountered. And the fourth tried to embrace a hind leg to understand what an elephant was really like.

Academic approaches to organizational culture are comparable to such a scenario. They never defined culture in a clear way and remain a hodgepodge of views from different angles. They never saw organizational culture as a comprehensive whole, based on individual cultures of the organization's members and on cultures in the different departments. Descriptions are results from one-dimensional views about organizational culture, looking at it from this or that angle, without taking the whole picture and its composing elements sufficiently into account.

The fact has unfortunately never allowed to see the real potential of a good company culture. Understood in all its facets and seeing it on different company levels actually allows to develop a complete internal risk map of an organization.

The lack of perception of the potential of organizational culture has another reason – the way to treat company culture. Company culture is mostly seen as falling into the HR field. Like with the elephant described above, it does, of course, fall partly into that field. But at the same time, it surpasses HR by far and should be a concern of the executive team itself. Organizational culture represents the internal risk map of an organization and should therefore be understood as a top management task. It is regrettable that the potential of this soft factor is still greatly underestimated - often simply because organizational culture is still misunderstood.

Company culture allows a deep insight into company risks, including both chances and dangers. Compliance issues are determined by culture, as well as sales efforts and after sale services. Good financial management is a cultural issue, as innovation is. All these examples show at the same time, that company culture cannot be the same in all

departments. Approaching a customer does not demand the same background culture as looking for a technical solution in an innovative process.

A clearly theory-based approach can create the necessary clarity and thus the required operational and strategic security. With the aim of better understanding organizational culture as a whole, the starting point is the employee. Organizational culture must not only be understood comprehensively, but must shed light on entrepreneurial action at different levels of the company. It is based on every employee of the organization, from the CEO to the person at the company's reception desk. This important fact seems to be the reason why organizational culture is often reduced to a personnel management issue.

### ***Tension Between Self-Realization and Social Integration***

Like all of us, employees are in a constant tension between self-realization and social integration. On the one hand, they are individuals with their own aims, but at the same time they are members of different communities. They are employees of a particular company and of different divisions and working groups. They all want to realize themselves, but have to do this within a given framework set by the company. Personal satisfaction is the direct result of successfully handling this tension. Depending on the challenges, the equilibrium can tend in a flexible way more towards personal fulfillment or towards social integration.

### ***Social Proximity and Distance***

The different weights given to self-realization and social integration are closely related to proximity and distance to the surrounding environment. Self-realization is associated with greater personal freedom and a certain distance from the community, while it is more restricted by better social integration. Social integration compensates, however, by an increased feeling of belongingness and therefore of social security.

We always live in communities and are dependent on them. Many of our tasks can only be done with the help of others. Social integration, necessary for dealing with others, limits our personal freedom but creates greater opportunities and underlines social closeness. As individuals, too, we depend on these feelings of belongingness, accompanied by physical and psychic security in a particular community.

### ***Cultural Differences Within Organizations***

Based on these foundations of organizational culture, it becomes clear that organizational culture should not be understood solely at the level of the company and cannot be reduced to personnel management either. Organizational culture builds on the personal cultures of all employees and will not necessarily be the same in different divisions of the company. The requirements in the sales department are certainly different from those in the research department. While salespersons have to develop a good feeling for customers and thus be close to them, exactly the opposite is the case for researchers. For their part, they must be able to work with a certain distance in order to

put things into perspective and to approach work in an analytical way. Distance is also necessary in sales on a more strategic level, but much less on the operational level. Conversely, proximity in the research area can serve to improve or expand already recognized processes. Basic research, however, requires distance in perception to facilitate the analysis that usually prepares the ground for scientific breakthroughs.

## ***Global Cultural Differences and Their Influence on Organizational Culture***

Incidentally, innovation is a good example of also showing regional cultural differences and thus addressing different national competitive advantages. Cultural differences play into the organizational culture of a globally active company and should be recognized and taken into account by the executive board.

When individualist societies in the Western world are compared with collectivist societies in Africa, the Middle or Far East, or in South America, it quickly becomes clear that these collectivist societies are much more socially integrated. While for us personal rights and freedoms are in the foreground of the social order, for these societies it is primarily the duties towards the community. Rights and freedoms can only be claimed through the fulfillment of obligations. For corporate culture in a collectivist society like South Korea's, this means that the CEO practically runs the company as a new "family association" in order to be able to strengthen internal cohesion.

It should therefore be the task of the management to strengthen this family feeling in the company as well - and thus to work towards good compliance. The sense of belonging is the best guarantee for the commitment of the employees and at the same time generates a corresponding security for compliance issues. Nobody easily offends friendly colleagues. Conversely, a bad culture in the company can lead to employees resigning mentally and thereby jeopardizing a good provision of services. The differences between in-group and out-group are much greater in these collectivist societies, so a lack of a sense of togetherness has more significant effects in the Arab or Asian company compared to an American or European one, where individuality is given greater importance.

People in collectivist societies live closer to their social environment and have a much better sense of current situations than people in the West. They respond to challenges faster and more pragmatically and often solve them more appropriately than Europeans or Americans. On the other hand, these solutions will not necessarily last in the long term and be sustainable, because they usually pay too little attention to future or overall developments. Collectivist societies have a very good understanding of the here and now, but rarely look enough into the future or into more general issues. The future is not strategically planned, it is understood as pure vision, unrelated to the present situation.

In the field of innovation, this has led Japan and now China to use scientific breakthroughs made in the West to further develop and create significantly improved products. In many cases, these developments are much more customer-oriented than the first Western products based more on basic research. Different cultural backgrounds lead to different global competitiveness and new challenges for the West – and often for Western headquarters of multinational companies as well. In applied research, these

collectivist societies, which emphasize proximity and closeness, are much more successful than Western, more distance-oriented societies. Their weakness lies, however, in basic research. Basic research requires a perceptual distance that they usually do not develop because of their social proximity. It can be assumed that, despite many press reports to the contrary, scientific breakthroughs will stem from the West for a long time to come. The replacement of China's scientific and technological dominance with that of the West, which we saw in the 17th and 18th centuries, goes back to these fundamentally different social bases constituting different cultures. The modern development of science has its roots in the distancing of the Western person. Such distancing will remain difficult to achieve in non-Western societies for demographic reasons alone. The educational system makes a further, important contribution to the up-keep, since in these societies it remains primarily oriented towards the social integration of the person and thus necessarily limits individuality.

Cultural differences, reflected in organizational culture, will therefore not disappear as globalization progresses, but will continue to assert themselves in the respective organizational environment. Understanding cultural differences is thus becoming a decisive competitive factor. We shouldn't belittle them for that reason. They form the background for a successful SWOT analysis, which shows company-internal strengths and weaknesses as well as opportunities and threats. Organizational culture deserves to be taken seriously and to be better understood.