

# WHAT LIES BENEATH

A comprehensive  
perspective  
on organizational  
culture

Alex Kumar  
Avisekh Agarwal  
Pallavi Kalra



KNOWLEDGE  
ACCESS

# “WHAT LIES BENEATH” A comprehensive perspective on organizational culture

CULTURE ISN'T  
JUST ONE ASPECT  
OF THE GAME, IT  
IS THE GAME

THE FACTOR THAT  
MAKES EMPLOYEES  
WORK TOWARDS  
THE COLLECTIVE  
GOAL OF THE  
ORGANIZATION

“We are flying people, not planes” says Pierre Beaudon, Chief Executive Officer of the world's third largest manufacturer of civil aircrafts – Bombardier. In an interview with McKinsey Quarterly, Beaudon confidently attributes the company's recent success to its culture which underwent a steady transformation over the past decade. From being a company driven by engineering and manufacturing goals it turned its focus to customers, work force and continuous improvement.

With a similar kind of appreciation for culture, Kevin Rollins of Dell, in an interview with the Harvard Business Review, explained that “While Dell does have a superior business model; the key to their success is years and years of DNA development that is not replicable outside the company”.<sup>1</sup>

Similarly, many leaders across the globe have realized the role a cultural binding can play in their day to day operations. As a result, in no more than two decades, organizational culture has gone from being a less-understood or vague topic, to gaining global acceptance as an important element within a company's strategy. Lou Gerstner, Former Chairman and CEO of IBM went a step further when he said that “Culture isn't just one aspect of the game, it is the game”. The impact of culture, whether positive or negative, is felt in all aspects of an organization as it simply determines the way people act. According to Chandan Chattaraj - Chief Human Resource Officer - Aircel, culture defines the living parameters in an organization. He believes it to be the way employees identify with one another, behave and do things.

Rajiv Gujral, Chief Operating Officer, Taj group of hotels views culture as the factor that makes employees work towards the collective goal of the organization. In a similar vein, Bain & Company's (2006) paper on “Building a Winning Culture” explains how culture invokes loyalty and the motivation to act in favor of the company's interest. It inspires people to do the right things, not just the easy thing.



# ORGANIZATIONAL CULTURE A Competitive Edge

CULTURE SERVES AS A  
SOURCE OF  
COMPETITIVE  
ADVANTAGE BY  
ENHANCING THE  
ORGANIZATION'S  
EFFICACY

According to a study by Bain & Company, 70 percent of CEOs across the world believe that positive culture provides the greatest source of competitive advantage. Put ingenuously, it separates the brilliant from the mediocre! Culture could be that “magic wand” that leaders have been looking for.

The strength of a cultural advantage lies in its basic ability to be intrinsic in nature. Herb Kelleher, Founder and Chairman of Southwest Airlines, a company known for its positive work environment, summed up the concept of culture as a competitive advantage in the following words: “Everything [in our strategy] our competitors could copy tomorrow. But they can't copy the culture – and they know it”<sup>2</sup>

Competitive advantage, in its simplest form denotes increased organizational performance and therefore it is safe to assume that culture serves as a source of competitive advantage by enhancing the organization's efficacy. Commenting upon the role of culture in an organization's overall performance, Chandan explains that “Culture has a direct or indirect effect on performance. Imagine a company which wants to increase its revenue; despite having the strategy and the overarching-vision, if their culture doesn't support the execution then it will not go far”. The correlation between culture and performance is simplistic. Culture is able to provide the unified vision that employees can relate with. It is what motivates them to work in the company's best interest even when no one is looking. This has led industry leaders to realize that the relevant organizational culture, correctly identified and implemented, takes care of the remaining directional management. However, what could be noteworthy here is the strategic relevance of the culture being implemented.<sup>3</sup>

Take for example the much talked about culture of Disneyland Theme Parks. The view of its employees about it being the “Happiest Place on Earth”<sup>4</sup> or the “smiles” that they not only wear but also feel all day, are attitudes much in line with the service that Disneyland provides. Imagine the same customs being enforced within a serious and strenuous environment of a management consulting firm, or that of a law firm.

<sup>2</sup> Meehan, P., Gadiesh, O. and Hori, S. (2006). Culture as Competitive Advantage. *Leader to Leader*, 2006 (39), 55-61.

<sup>3</sup> Chatman, J.A. and Cha, S.E. (2003). Leading By Leveraging Culture. *California Management Review*, 45 (4), 20-33.

<sup>4</sup> Van Maanen, J. (1990). The smile factory: Work at diesneland. In *Reframing organizational culture*, edited by Frost, P.J. (1991). London: Sage Publications.



WHEREVER THERE IS A  
CROSS BORDER  
MERGER, THERE  
USUALLY IS A CULTURAL  
ISSUE. HOWEVER,  
CULTURE IS OFTEN NOT  
A DEAL BREAKER BUT IT  
IS IMPORTANT  
NEVERTHELESS

Not only would the employees feel frustrated and ridiculed by the state of affairs, but the reputation of the firm will also be at stake. “If a company's culture is not in sync with the strategy, instead of being an enabler it will actually hold things back” believes the Human Resources Head of Biocon, Ravi Das Gupta.

Culture also plays a very important role in inorganic modes of growth. “Wherever there is a cross border merger, there usually is a cultural issue. Moreover, even two companies within the same industry, same country may have cultural differences”, explains Anupam Prakash, Partner and Regional Leader, Cross Border Consulting, Mercer India.

More than 90 percent of Mergers & Acquisitions fall out because of issues with cultural integration. The failed merger between EDS and AT Kearney is a classic example indicating the importance of a cultural due diligence even when there is a strong financial case for an acquisition. Chandan shares that in one of his previous organizations, a cultural survey was conducted to examine the operational similarities and differences before acquiring another firm. He believes that leaders today understand the role of culture and thus mergers and acquisitions take a more holistic and structured shape. In sum, culture usually is not a deal breaker but it's important nevertheless.



# The Sources of Culture

AN ORGANIZATION'S CULTURE IS A FUNCTION OF ITS PEOPLE, THE LINE OF BUSINESS, AND THE COUNTRY THAT IT IS PRESENT IN.

There has always been a classic debate on whether culture is something an organization 'is' or something it 'has'. The first perspective is basically related to how an entire organization is viewed as a "culture". Our paper, however, is focused on the latter perspective which showcases culture as a key to unlocking organizational commitment, productivity, and profitability. Within this standpoint, culture emerges as a result of the dynamics between certain distinct features of an organization such as its people, the line of business, as well as the country it is present in. (For the side box – An organization's culture is a function of its people, the line of business, and the country that it is present in.)

In terms of the people hierarchy, culture is always top down. Since all strategic decisions are formulated at the top of the organizational pyramid, culture too is an element best implemented when it starts at the top. "An organization is like a family where the father or the grandfather demonstrates (both explicitly and implicitly) certain principles and values which the entire family observes, experiences and then follows" explains Chandan. Moreover, instilling cultural feelings is not always so much of a conscious effort and the values of the founder sometimes involuntarily get insinuated in the organization and "shape its culture going forward"<sup>5</sup>. The founder of Wal-Mart, Sam Walton serves as a perfect exemplar for this. He felt genuine respect and concern for his customers and this till date has maintained Wal-Mart's culture of "the customer is always right"<sup>6</sup>. The personality of the founder is thus reflected in the organization. In this regard, Ravi Das Gupta adds that "culture does not always need articulation; it's about walking the talk. Employees pick up signals and work in a similar fashion."

"In addition to the founder and the subsequent leaders, organizational culture is also a product of the environment within which the company exists", says Anupam Prakash. He believes that country culture has a very strong impact on the way an organization functions and could thus be an important 'source of culture'. One of the most relevant examples for this is Indian companies. India has been dominated by family owned businesses where the head of the family is also the leader for the organization and the immediate or distant relatives hold other important roles.

<sup>5</sup>Building a Winning Culture, Bain & Company, 2006

<sup>6</sup>Sadri, G. and Lees, B. (2001). Developing Corporate Culture as a Competitive Advantage. Journal of Management Development, 20 (10), 853-859.





The culture that exists within these companies is that of reverence mostly arising out of respect for the fatherly figure, a concept much in line with the Indian society. When asked about the influence of national culture on a company's ways of functioning, Chandan put forward a more specific view. He believes that although the national environment does make a difference in the way things are done; in a vast country like India, every geographical region could impose certain unique characteristics on the organizations existing within them, thereby encouraging the creation of sub-cultures.

Thirdly, the industry vertical is an important determinant of an organization's culture. In the previous section, we discussed how the Disneyland culture of cheerfulness and optimism would be a misfit within a number-driven environment of a management consulting firm. This example successfully elucidates that an organization's culture by default is a function of the business it performs. Om Manchanda, CEO, Dr. Lal Pathlabs provided an interesting example to further clarify this point. "For instance you can't have short tempered people in the service industry" he says. He believes that in this regard, the healthcare sector has suffered from a bit of misalignment in the past, as the doctors and professionals are only now realizing that the patients expect a more service oriented approach from them.

CULTURE IS NOT ONLY ABOUT  
ARTICULATION; ITS ALSO ABOUT  
WALKING THE TALK



# Sustaining Culture

LEADERSHIP HIRING CAN BE A STRONG TOOL OF CULTURAL REINFORCEMENT AS WELL AS CHANGE MANAGEMENT.

Establishing culture is one thing, sustaining it another. “No culture is forever”<sup>7</sup>; it either needs constant strengthening, gradual evolution or dedicated efforts to bring about a change. Leadership hiring can be a strong tool of cultural reinforcement as well as change management. When an organization wants to maintain the ongoing culture, they bring on board people who are a good fit with what is already existing and being preached. On the other hand, when they want to implement cultural change, people with strong values and behaviors in line with the desired culture (or simply diverse cultural backgrounds) are hired.

In its 22 years of presence in Asia, Executive Access has come across several instances where a client organization having a distinct and successful culture has rejected a top notch senior candidate on accounts of DNA/cultural mismatch.

Ravi DasGupta of Biocon rates cultural fitment as one of the most important aspects of talent acquisition. In this regard, Manchanda adds that the cultural aspect becomes even more essential while hiring at the top most level as “these people drive culture within an organization”.

Manchanda further adds an important perspective when he says that “a 100 percent fitment is not the best way of going about things because then you end up cloning the organization. The idea is not to clone but to add value to the existing organizational culture”. In sum, organizations must celebrate diversity but make sure that there remains a common thread.

THE IDEA IS NOT TO CLONE BUT TO ADD VALUE TO THE EXISTING ORGANIZATIONAL CULTURE



# About Executive Access

Executive Access India was setup in 1995 and is today one of the most prominent global executive search firms in India. We cover 9 industry practices and have till date executed more than 1400 search mandates at leadership levels. Our client list is a healthy mix of Fortune 500 companies as well as most respected Indian corporates.

Although a firm with global capability and coverage we are still boutique at heart because we understand the need to be nimble and innovative.

Our core strength is undoubtedly our knowledge base and a team of efficient and experienced consultants with in-depth understanding of their chosen sectors. We are the pioneers of the "Accountability Clause" in the Indian retained search industry and have always striven to align our business model with the needs of our clients.

## Our services include the following

- Executive Search
- Leadership and Board Consulting
- Executive Intelligence
- Capital Introduction Services

For queries please contact:  
[info@executiveaccess.co.in](mailto:info@executiveaccess.co.in)  
[www.executiveaccess.co.in](http://www.executiveaccess.co.in)



**EXECUTIVE ACCESS**  
INDIA'S LEADING GLOBAL SEARCH FIRM