

American Management Association



CULTIVATING EFFECTIVE CORPORATE CULTURES

A Global Study of Challenges and Strategies

Current Trends and Future Possibilities
2008-2018

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Foreword

Culture helps shape our lives—in society, in our national identity, and in the businesses we operate. It can be a powerful force for good or get in the way of the most needed changes.

American Management Association commissioned the Institute for Corporate Productivity to help discuss these factors that influence corporate culture, as well as explore the actual characteristics of corporate culture and their relationship to business success, and help executives develop the kind of culture that will cultivate and foster higher productivity and profitability in an organization. Edgar Schein, professor of MIT Sloan School of Management, observed that “If you do not manage culture, it manages you, and you may not even be aware of the extent to which this is happening.”

The study also looked at those circumstances under which culture may impact the success or failure of strategic alliances, acquisitions, mergers, and the like. For instance, the study examined how the cultures of two merging companies can adversely affect or enhance the prospects of the new organization. It also looked at external factors—for instance, the impact of the multigenerational workforce, globalization, corporate reputation in sustainability, ethics, and economic uncertainty. The researchers also tracked best practices that should assist companies in assessing their corporate cultures, which then can lead to developing the right culture for the organization.

AMA believes that with the right initiatives a company can remake a culture so people, when they awake, want to go to work because they believe in their company and its mission. We hope to use the findings of this study to assist the leaders and managers of businesses, as Edgar Schein said, to manage their culture, and not allow it to manage them.

Edward T. Reilly
President and Chief Executive Officer
American Management Association

Introduction

Many corporations are increasingly aware that their corporate cultures affect not only their employees' attitudes and values but also the bottom line. As a result, corporate leaders have become more interested in finding ways to mold their corporate cultures to become more powerful drivers of high performance. Yet, many are unsure how to accomplish that goal.

To gain a better understanding of the effect culture has on organizations, American Management Association (AMA) commissioned the Institute for Corporate Productivity to conduct a global study of corporate cultures in today's organizations. The survey not only examined the common and best practices displayed by organizations but also identified some of the factors that characterize the corporate cultures associated with high performance.

For the purposes of this study, the AMA/Institute for Corporate Productivity team melded various definitions of corporate culture into one sentence that was used as the reference point from which survey participants answered questions. That one-line statement: Corporate culture is the shared values and beliefs that help individuals understand organizational functioning and that provide them with guides for their behavior within the organization.

What follows are some of the major findings from the *AMA/Institute for Corporate Productivity Corporate Culture Survey 2008*:

Finding One: *A "positive corporate culture" is associated with higher performance.* The AMA/Institute for Corporate Productivity team identified eight characteristics associated with positive corporate cultures. The more that organizations displayed these characteristics, the higher they were ranked on the AMA/Institute for Corporate Productivity Culture Index. And, as it turns out, the higher the rankings on the Culture Index, the more likely it is that organizations do well in the marketplace, based on self-reports.

Finding Two: *Few companies display all eight dimensions of a "positive corporate culture" to a high or very high extent.* Perhaps most worrisome is the finding that only a third of the corporations see themselves as having a culture that, to a high or very high extent, fosters the best performance from their workers.

Finding Three: *Having a more positive culture is related to higher productivity and better talent retention.* Positive corporate cultures tend to have more engaged and satisfied workers.

Finding Four: *Positive corporate cultures are associated with the greater facilitation of change initiatives.* This finding flies in the face of conventional wisdom that sees a strong culture as entrenched and resistant to change. Instead, the study found the opposite—positive corporate cultures are more receptive to change and adapt quickly to meet new challenges.

Finding Five: *Leadership style makes a difference.* Leaders who use an empowerment style to direct employees show a significant correlation to a positive culture and market performance.

Finding Six: *Most companies are mediocre or worse at developing leaders.* The study found that only about a third of the organizations that participated felt their companies are good or very good at leadership development.

Finding Seven: *In most organizations, employees are not very familiar with the business strategy.* Business strategy is one of the factors most closely associated with marketplace success, yet only 27% of participants were sure their strategy is well understood by all members of the organization. This could represent an opportunity for leaders to make sure employees understand the company's goals and to enhance buy-in.

Finding Eight: *“Economic conditions” is the key outside influence named by most as influencing corporate culture.* The condition of the economy is not only seen as the number one outside factor influencing today's corporate cultures, it is also seen as the prime outside influence for the future.

Finding Nine: *Talent shortages are seen as becoming an increasingly important influence on corporate culture.* The prospect of losing top employees as the Baby Boom generation retires already concerns respondents. And, as more Boomers are lost, the need to replace them is expected to become a prime issue within the next decade. Respondents ranked this problem second only to the condition of the economy in its influence on the corporate cultures of the future.

Finding Ten: *Organizations with positive cultures are more likely to have successful mergers.* Yet, it is the rare organization that successfully manages to combine two cultures into a unified culture—only 22% of respondents whose organizations had undergone a merger said they had managed to do so to a high or very high extent.

Finding Eleven: *Success in the area of talent management—as well as its key components—is linked to having a more positive corporate culture.* The study found that talent management itself, as well as its various strands (hiring, retention, training, etc.), are all significantly associated with positive corporate cultures.

Finding Twelve: *Corporate culture is a prime factor in ethical behavior.* Instilling ethics and values into the workforce is the characteristic most highly associated with the Culture Index and is the number two factor associated with market performance.

These are only a few of the insights derived from this study, which also contains guidance about the strategies successful organizations are using to develop their corporate cultures. The study analyzes trends and makes forecasts about the state of corporate culture in ten years' time.

Generally speaking, the AMA/Institute for Corporate Productivity team believes that corporate culture is, and will continue to be, a prime influence on market performance and issues such as talent retention. The team also believes that most organizations should strive harder to create the kind of healthy, performance-based corporate cultures that will make them more competitive in the marketplaces of today and tomorrow.

A Review of the Literature

The Early Years of Corporate Culture Studies

The understanding of corporate cultures in organizations began with research on both sides of the Atlantic. The research started in 1939 when Kurt Lewin, a German immigrant on the faculty of Massachusetts Institute of Technology (MIT), set out to identify different styles of leadership.

This early research was very influential with other researchers and eventually led to the perceived importance of culture in organizations. Lewin's early work established that there were three major leadership styles: autocratic, democratic (participative), and laissez-faire. He and his colleagues discovered that the most effective style was democratic. They found that democratic leaders offer guidance to group members, participate in the group, and allow input from other group members. Researchers also found that contributions from members of the democratic group were of a much higher quality (Lewin et al., 1939; Tannenbaum & Schmitt, 1958).

This work created interest in something new and exciting for social psychologists: the study of leadership. In the summer of 1946, Lewin and associates from the University of Michigan's Research Center for Group Dynamics became involved in leadership and group dynamics training for the Connecticut Interracial Commission. Lewin's ideas greatly influenced his colleagues, who went on to become leaders in what became the field of organizational development (OD). By 1947, Benne, Bradford, and Lippitt created the National Training Laboratory in Group Development in Bethel, ME, where they continued using the techniques they had developed. The organization evolved into the NTL Institute, an organization that has contributed to furthering understanding of the science of human relations.

Researchers were perplexed by the observation that attendees of NTL and other similar programs praised the experience but were generally unable to translate those experiences into changes in the workplace (Patten, 1989). Wilfrid Bion of the UK's Tavistock Institute posited a theory for this phenomenon in his studies of "group relations." Bion concluded that individuals can neither be understood nor their behavior changed outside of the groups in which they live and survive (1948-1951). Bion believed that groups behave as a system. Eric Trist applied these and other Tavistock concepts to actual organizations, translating them into what is now known as a sociotechnical approach to restructuring work. This newly identified focus on groups, teams, and the whole organization became an important connecting point in the theory and design of OD and, eventually, organizational culture.

Once culture was on the radar screen of the research and consulting communities, it became a focus of exploration for the next three decades. As early as 1967, there are written accounts stating explicitly that leaders and consultants sought to improve culture at TRW (Davis, 1967). Robert Blake and Jane Mouton (1968) described clearly and elaborately how organizational planning and management development (OD) could be calibrated to yield corporate excellence. These early voices did not, however, gain much traction. That came during the 1980s when many organizational researchers addressed the relationship between culture, strategy, and performance (Kennedy & Deal, 1982; Wilkins & Ouchi, 1983; Barney, 1986; Schein, 1983; Hofstede, 1980). The evidence presented by Peters and Waterman (1982) identified cultural characteristics of successful companies and built a theory of excellence that opened the door to understanding the relationship of excellence and culture (Carroll, 1983; Van de Ven, 1983). Dennison (1984), using survey-based culture measures, showed that perceived involvement and participation on the part of organizational members predicted both current and future financial performance. In addition, Gordon (1991)

found that high- and low-performing companies in the banking and utilities industries had different culture profiles. Kravetz (1988) demonstrated that management practices fostering participation, autonomy, and creativity were closely correlated with objective indicators of organizational performance.

Careers at the individual and organizational level of analysis were a big emphasis in studies done during this period. Examples of organizational-level writing include work on the following:

- The ways reward systems motivate managers (Whitley, 1987)
- Internal and external labor market theory and demography (DiPrete, 1987; Hachen, 1992; Osterman, 1984; Pfeffer, 1985)
- Organizational ecology (Haveman & Cohen, 1994)
- The use of labor market theory to link career systems with the strategic behavior of companies (Sonnenfeld & Peiperl, 1988)

Organizational socialization practices are key in both transmitting and perpetuating organizational culture (Louis, 1990; Trice & Beyer, 1993). Socialization is typically defined as a learning activity, focusing on what and how newcomers learn as they make the transition from organizational outsider to insider (Fisher, 1986). Therefore, socialization is considered effective when newcomers come to understand and accept the organization's key values, goals, and practices (Schneider & Rentsch, 1988). To be compatible with a high-performance culture, socialization needs to be approached as a process of establishing a relational network that facilitates continuous learning in order to understand and meet changing organizational demands (Major, 2000). Organizations that provide newcomers with stronger support systems find their employees have fewer adverse psychological issues related to job performance than do new hires in corporations that provide less support (Ruben, 1986). Research shows that quality relationships with organizational insiders can even help newcomers overcome the negative effects of unmet expectations (Major et al., 1995).

Culture and Corporate Performance

Corporate culture is believed to influence key aspects of business performance, such as innovation, customer focus, adaptability to change, and organizational learning. Some experts say it is also the defining factor in the areas of employee engagement, loyalty, and retention (Towers Perrin, 2007a; Towers Perrin, 2007b; Roach, 2006; "More than Job Demands," 2006; Smith, 2005). When companies "get the culture right," success often seems to naturally flow (Saltzman, 2007; Wahl, 2005; Calfee & Sheridan, 2005; Probst & Raisch, 2005). But when they get it wrong, failure often seems inevitable (Neuman, 2007; Probst & Raisch, 2005).

A landmark 1992 study by J. Kotter and James Heskett concluded that, over a 10-year period, "companies that intentionally managed their culture effectively outperformed similar companies that did not. Their findings included revenue growth of 682% versus 166%, stock price increases of 901% versus 74%, net income growth of 756% versus 1%, and job growth of 282% versus 36%" (Warshawsky et al., 2006).

Companies that manage culture well can also benefit in specific performance areas. Organizations with innovation-friendly cultures, for example, tend to be more

profitable, enjoy faster growth, create more jobs, and have a more productive workforce than their non-innovative competitors, even in mature industries (Franko, 1989; Capon et al., 1992; Baldwin & DaPont, 1993). A recent American Management Association (AMA) study, *The Quest for Innovation* (2006), discusses at length the importance of an innovative culture. In such cultures, customers were found to be the number one driver of innovation, and the ability to focus on customers was viewed as the top-ranked factor for developing an innovative culture. Insurance expert Bruce W. Gordon has stated that a new product's success depends less on the creation itself than on the culture and its ability to get that across to the customer (Gordon, 2005).

Culture is also highly related to adaptability to change. The literature on culture change tends to begin with Lewin's three-stage model for change in which the concepts of unfreezing, moving, and freezing are highlighted (1997). In many ways, this model served as the organizational-change standard for decades. Implicit in the model are the premises that (1) there is a culture that must be unfrozen so a new and better culture can be introduced and (2) strong cultures are better than weak cultures. Culture was seen as a stabilizer, a conservative force, a way of making things meaningful and predictable.

However, over time it was seen that cultures that are intrinsically strong are also resistant to change. In fact, Sathe (1985) and Strebels (1994) argued that organizations with weak cultures are actually better in some respects because they are more flexible and adapt more easily to external change. Current thinking suggests that some elements of culture can be strong as well as conducive to organizational flexibility (Sathe & Davidson, 2000). Changes in the world have driven the need for flexibility and adaptability. Business has become more complex, more fast-paced and culturally diverse (Hesselbein et al., 1999; Global Business Network, 2002; Schwartz, 2003; Michael, 1985, 1991). This means that organizations and their leaders must be able to learn quickly and adapt to changes. Without guidance or thought, a changing culture can grow in a negative direction and take the organization with it. Or the organization might not fail per se but simply become less competitive in the marketplace (Warshawsky et al., 2006).

Lawler and Worley say in the opening of their book *Built to Change* (2006): "Excellence is about change. Most organizations simply cannot sustain excellent performance unless they are capable of changing." They recommend designing organizations so that they can be successful and change as needed. They believe that the major reason organizations are not getting better at executing change is that existing theory and practice in organization design explicitly encourage organizations to seek alignment, stability, and equilibrium. Lawler advocates for an organization that encourages experimentation, learns about new practices and technologies, monitors the environment, assesses performance, and is committed to continuously improving performance (Lawler & Worley, 2006).

Others have come to the same conclusion and describe these organizations as "learning organizations." This concept is not a new one. It flourished in the 1990s, primarily driven by the work of Peter Senge (1990, 1994). Current writers (Garvin et al.,

Culture was seen as a stabilizer, a conservative force, a way of making things meaningful and predictable.

2008) believe the early work on learning organizations was too conceptual and lacked a concrete way for managers to assess where they were and where they needed to get to. Garvin, Edmondson, and Gino (2008) developed an assessment, *The Learning Organization Survey*, which they describe as a tool for building a learning organization. Generally speaking, learning organizations have cultures and systems that allow employees to continuously learn the kinds of things that will help them perform and innovate more effectively, both as individuals and as a group.

Identifying a “Positive” Corporate Culture

There’s no such thing as a single “ideal” corporate culture. Every organization has unique features and goals. But the literature generally supports the idea that there are aspects of culture that are desirable to almost every organization, especially when these features are associated with higher performance. For example, De Witte and van Muijen (1999) suggest that, regardless of industry or size, an organization’s culture should be in line with its strategy. The more that employees can clearly identify and discuss their organization’s strategy, the more likely it is that the right culture can be defined and encouraged.

Another component of culture that is widely pursued by many organizations is the ability to innovate and change, as noted above. In today’s fast-paced global work environment, organizations that encourage innovation and promote quick responses to needed changes are more likely to solve problems successfully and not suffer from the consequences of inflexibility or stagnation.

The idea of organizational trust is another feature that is widely viewed as a positive feature. Andrew Edelman, a management consultant and professor at the University of Phoenix, argues that most organizational cultures don’t do a very good job of building trust and fostering a cooperative spirit (2006). A culture without cooperation and trust is associated with turnover and reduced profits. Mitchell and Yates (2002) found that trust is especially important when organizations must maintain partnerships between paid staff and volunteers.

It will be interesting to see if scholarship in this area can make more progress in identifying the characteristics of positive cultures. Such research may be useful in helping organizations intentionally manage their cultures in such a way as to boost their levels of overall performance. We hope that this report is one step toward achieving that goal.

The Factors That Influence Corporate Culture

The proper management of corporate culture requires understanding about what drives it, and, even more important, which drivers are most influential (Tellis et al., 2008).

Of course, given the encompassing nature of corporate culture, it's not possible to discuss all the factors that influence it in today's workplace. This section will, however, focus on a number of factors that seem to have a significant impact. Before those factors are analyzed, we begin with a review of how corporate culture is defined within the context of this study and the status of corporate culture today.

The State of Corporate Cultures

Defining Corporate Culture

Corporate culture is an amalgam of many things, including the values, morals, and codes (both written and unwritten) that reveal “an organization's true internal priorities.” Wahl (2005) states, “It's everything from how leaders communicate with employees, what kinds of achievements are rewarded and in what way, how accountability is demonstrated, what kinds of people are promoted or hired, and who gets fired (and how). These things can be subtly different from one company to the next. But taken together, they speak volumes about the way a company does business, in a very holistic sense and can have make-or-break results.”

The AMA/Institute for Corporate Productivity research team streamlined this and other definitions of corporate culture into a single statement that was communicated to those who participated in the *Corporate Culture Survey 2008*. It was defined as follows: the shared values and beliefs that help individuals understand organizational functioning and that provide them with guides for their behavior within the organization.

Assessing Today's Corporate Cultures

The AMA/Institute for Corporate Productivity team used its scan of the business literature and several focus groups to help identify eight dimensions associated with what the team terms a “positive corporate culture.” The more that organizations display

these eight characteristics, the higher their score on the AMA/Institute for Corporate Productivity Culture Index. This index was then correlated with other corporate strategies to gauge whether or not there might be a relationship between having a positive corporate culture and success in other areas, from strategy to market performance. As we can see in Figure 1, these characteristics are significantly correlated with overall market performance, as determined by self-reports in the areas of revenue growth, market share, profitability and customer satisfaction (collectively known as the Market Performance Index throughout much of the report). That is, the more likely that an organization is to have these characteristics, the more likely it is to say it performs well in the marketplace.

Out of the eight culture-based characteristics, cooperation seems to be the area where today's corporations are most likely to excel, with nearly half (48%) of respondents saying they “have a cooperative culture” to a high or very high extent. Another 42% said that, to a high or very high extent, “our corporate culture is aligned with our strategy.”

» **MAJOR FINDING**
Relatively few organizations score high on all eight of these dimensions. Generally speaking, the cultures of most organizations do not do an exceptional job of fostering trust, encouraging innovation, responding quickly to changes, or bringing out the best in their workers.

Figure 1

To what extent do the following statements describe your organization’s culture?		
Responses	Percentage Responding to a High or Very High Extent	Correlation with Market Performance Index
We have a cooperative culture	48%	.21**
Our corporate culture is aligned with our strategy	42%	.24**
We have a culture that encourages innovation	39%	.22**
We have a culture that encourages strategy execution	39%	.21**
Our culture fosters trust	36%	.21**
We have a culture that promotes quick responses to needed changes	34%	.19**
Our corporate culture brings out the best performance in our employees	32%	.27**
Decision-making authority exists at all levels, not just top management	29%	.19**

The Market Performance Index is determined by averaging the responses to four market performance questions that cover revenue growth, market share, profitability, and customer satisfaction

**significant at $p < .01$




Editor’s Note About Correlations: The correlation coefficient is used to measure the strength and the direction of the relationship between two variables. For example, the closer a correlation is to +1, the stronger the positive relationship between the two variables such that an increase in one variable is associated with an increase in the other. But, just because two variables are found to be correlated does not mean that a cause-and-effect relationship exists. When a correlation between the two variables is significant, for example at $p < .05$, you are saying that there is only a 5% chance that these results would have occurred by chance. Stated differently, you can be 95% confident that these results are not in error and that you would get these same results if you conducted this research again. With a correlation of $p < .01$, which represents the majority of correlations reported in this study, you can be 99% confident that these results are not in error.

Taken as a whole, these data reveal that relatively few organizations score high on all eight of these dimensions. Generally speaking, the cultures of most organizations do *not* do an exceptional job of fostering trust, encouraging innovation, responding quickly to changes, or bringing out the best in their workers. The fact that only about a third of companies said that their culture “brings out the best performance in employees” to a high or very high degree should be seen as especially problematic since, out of the eight characteristics, this one is most highly correlated with market performance.

On the brighter side, over half of respondents reported that, to a high or very high extent, their “organization is a good place to work.” The AMA/Institute for Corporate Productivity team found this to be very strongly correlated with the Culture Index. That is, a company that is viewed as a good place to work is also quite likely to be seen as having a positive culture.

Whereas only 45% of companies are successfully meeting their goals to a high or very high degree, those that are doing so are much more likely to score quite high on the Culture Index. This suggests that the ability to meet organizational goals is related to having a positive corporate culture.

Figure 2

To what extent do the following statements describe your organization's performance?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Overall, this organization is a good place to work	 59%	.68**	.27**
Our company is successfully meeting its goals	 45%	.62**	.33**
We are operating at our potential	 25%	.63**	.29**

**significant at p<.01

Determining How Long Corporate Cultures Have Been Maintained

Corporate cultures tend to be relatively stable over time, suggest the findings of the AMA/Institute for Corporate Productivity Corporate Culture Survey 2008. The majority of respondents, 63%, said their corporations have maintained their current culture for six years or more. It's worth noting, however, that many cultures have been in place for 10 years or less, and only 23% of respondents said their corporate cultures have

been maintained for more than 20 years.



MAJOR FINDING

There are no significant correlations between the number of years that a company has maintained a culture and the degree to which it has a positive corporate culture.

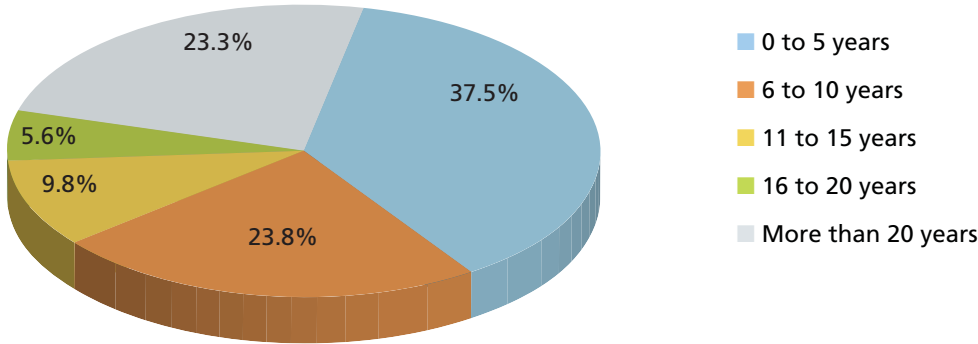
There are no significant correlations between the number of years that a culture has been maintained and the market performance of those companies, the study found. This suggests that a more stable culture is neither good nor bad in terms of market performance. The study also failed to find a correlation between the age of a culture and scores on the Culture Index.

Gauging the Success of Transferring Cultural Knowledge

Although the majority of respondents indicated their corporate cultures have been in place for many years, much of the essential cultural knowledge—we could term it “cultural artifacts”—does not seem to be well known to all organizational members. When asked how familiar employees are with a list of seven such artifacts, respondents indicated that employees are most familiar with codes of conduct (59% said employees are familiar to a high or very high extent) and organizational values (51%). By contrast, relatively few said they think workers are familiar with the company's compensation system (35%), expectations of communications style (30%), and business strategy (27%) to a high or very high extent.

Figure 3

How long has your company maintained its current culture?



The fact that all these artifacts are highly correlated with the Cultural Index indicates that the more employees are familiar with them, the more likely the company is to have a positive culture. These findings also suggest some major problems and opportunities for organizations. Among these artifacts, the one that is most highly correlated with market performance is business strategy, yet just 27% of respondents said their organizations are familiar with such strategy to a high or very high extent. This indicates that the leaders in most organizations are making a serious mistake by failing to clearly communicate the organization’s strategy to the organization as a whole. It’s likely that doing so helps align the culture to the strategy, boosting overall business performance.

» **MAJOR FINDING**
The leaders in most organizations seem to be making a serious mistake by failing to clearly communicate the company’s strategy to the organization as a whole.







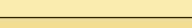
External Drivers of Corporate Culture

As stated before, corporate culture is driven by many factors. The *AMA/Institute for Corporate Productivity Corporate Culture Survey 2008* directly asked about seven specific external drivers, their current effect on the organization’s culture, and the expected influence they will have in 10 years’ time.

When asked about the extent to which each of seven factors currently influences their organization’s corporate culture, respondents gave their strongest support to “current economic conditions.” It is the only factor that more than half the respondents rated as having a high or very high influence on their culture.

Respondents were next asked to predict the influence of those same factors on their corporation’s culture in 10 years’ time. Current economic conditions remain the number one factor, with 69% saying it would influence culture to a high or very high extent. Respondents predicted that the other factors would also influence culture to a greater degree in the future. In fact, the only factor that fewer than half of respondents saw as having a high or very high future influence is the need to improve security, at 45%.

Figure 4

In your organization, to what extent are employees familiar with the following?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Code of conduct	 59%	.40**	.10**
Organizational values	 51%	.56**	.16**
Organization structure	 45%	.46**	.05
Mission statement	 40%	.45**	.10**
Compensation system	 35%	.39**	.07**
Expectations of communication style	 30%	.57**	.12**
Business strategy	 27%	.56**	.19**

The Culture Index is determined by averaging the responses to eight questions aimed at determining whether an organization has a positive corporate culture.

The Market Performance Index is determined by averaging the responses to four market performance questions that cover revenue growth, market share, profitability, and customer satisfaction.

**significant at $p < .01$

Correlation is not causation, but the data indicate that each of the seven drivers is significantly related to the Culture Index. These positive correlations suggest that companies that react—and plan to react—to these external drivers are more likely to have positive corporate cultures. In other words, adjusting to external drivers makes sense from a cultural perspective.

That’s especially clear with the concept of work/life balance. It is ranked sixth in importance of the seven factors that respondents believed affect their organization’s corporate culture to a high or very high extent. However, it is number one when looked at from the perspective of correlation to the Culture Index. It appears that organizations that allow work/balance issues to influence their cultures are more likely to have positive cultures both today and in the future. This finding raises the possibility that, to create more positive cultures, some companies should shift to a greater emphasis on the work/life balance needs of the workforce.

Another interesting finding is that “globalization” is the driver most highly correlated with market performance. The more an organization reports that globalization influences its culture, the more likely it is to be a better market performer. Perhaps companies that seriously take globalization into account in terms of how they manage their corporate cultures are more likely to have success in today’s global marketplace.

Figure 5

To what extent do the following factors influence your organization’s culture today, and to what extent do you anticipate they will influence your culture in 10 years?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Today:			
Current economic conditions	61.3	.09**	.02
Sustainability concerns	43.7	.15**	.05
Talent shortages	43.3	.21**	.08**
Globalization	35.5	.10**	.20**
The need to improve security	34.8	.09**	.06*
The work/life balance needs of the workforce	34.2	.37**	.07**
Changing demographics	31.6	.19**	.05
In 10 Years:			
Current economic conditions	69.4	.10**	.06*
Talent shortages	66.2	.12**	.07**
Changing demographics	60.3	.09**	.03
The work/life balance needs of the workforce	59.3	.24**	.07**
Sustainability concerns	57.3	.07**	.04
Globalization	55.6	.08**	.21**
The need to improve security	45.4	.06*	.06*

* Indicates that the correlation is significant at the p<.05 level.
 ** Indicates that the correlation is significant at the p<.01 level.

Economic Conditions

As noted before, economic conditions have been seen as the main external driver of corporate culture. This is not surprising since financial success is most organizations’ primary goal and economic conditions have a direct impact on the ability to attain that goal. Moreover, economic downturns can deeply influence the management of companies. After all, employees may be subjected to layoffs, wage freezes, a decrease in benefits, stagnation in compensation levels, increased hours and duties, or other management tactics designed to cut costs. These cost-saving strategies can adversely affect morale as employees work harder and longer while fearing for their jobs. This can translate to lower overall productivity (Diamond, 2007), lower engagement (Towers Perrin, 2007b), poor performance, and higher turnover (Roach, 2006). Those strategies can also erode cooperation and trust, both of which are important components of the AMA/Institute for Corporate Productivity Cultural Index.

» **MAJOR FINDING**
“Economic conditions” is the only factor that more than half of the respondents rated as having a high or very high influence on their culture.

Sustainability Concerns

One of the more surprising findings of the survey is that “sustainability concerns” is

seen as the second most important factor influencing culture today. Forty-four percent said it affects their corporate cultures to a high or very high degree. Even more—57%—said sustainability will be an important factor in 10 years' time, although its ranking on the listing slips to number five.

Sustainability remains a relatively new business concept that is clearly viewed as gaining importance in the area of corporate culture. One of the most common ways



MAJOR FINDING

“Sustainability concerns” is seen as the second most important external factor influencing corporate culture today.

of defining sustainability can be traced to the 1987 World Commission on Environment and Development, also known as the Brundtland Commission. According to that group, sustainability is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (*The Dictionary of Sustainable Management*, 2008). Research has indicated

that corporate America has begun embracing sustainability as a top issue (A.T. Kearney, 2007) and the same is true for organizations around the globe (Fahey, 2007; Newton, 2006).

Various studies, including AMA's *Creating a Sustainable Future* (2007), show that adopting sustainability practices requires “embedding” sustainability values into the corporate culture. Wirtenberg and her colleagues (2007) found that values related to sustainability were especially evident among European-based companies in their sample. One executive said, “You can't talk to anyone [in our company] without them speaking about doing things that make a difference for people. So there is this interaction between the vision, the mission, and the culture that is all wrapped up in a history of paying attention to this kind of stuff.”

The relatively important role of sustainability is, of course, tied to increasingly prominent issues such as environmentalism (e.g., concerns about global warming and the pollution problems of high-profile nations such as China and India) and the rising cost of fossil fuel energy. But it also influences the ability of corporations to attract better talent (Deloitte & Touche LLP USA, 2007; Odell, 2007) and the ability of organizations to retain employees (White, 2005) who tend to say they are more satisfied with their jobs and have a better view of senior management (Kenexa Corporation, 2007; Hinch, 2006). In short, sustainability issues become linked with talent issues.

Talent Shortages

Talent shortages are already of importance when it comes to corporate culture, and they'll become more important over time. Forty-three percent of respondents said such shortages influence their organization's culture to a high or very high extent, and that number jumps to 66% when respondents were asked to look 10 years into the future. That means that, out of these seven factors, talent shortages are projected to be second only to economic conditions in terms of their impact on culture ten years from now. It's likely that companies are looking toward certain demographic shifts—including the retirement of the Baby Boomer generation—and foreseeing talent shortages.

This is understandable. Without talent, it's hard, if not impossible, to be innovative and to produce quality products. It's clear that organizations will modify their cultures in

order to attract talent. Consider the related concepts of sustainability and corporate social responsibility, for example. One survey, by MonsterTRAK, an arm of online job-hunt site Monster Worldwide, shows that 80% of young workers “are interested in a job that has a positive impact on the environment” and that 92% would choose to work for “an environmentally friendly company.” Another survey, by the Kenexa Research Institute, indicates that workers whose employers have good corporate social-responsibility programs are happier with senior management and stay at their jobs longer. Kenexa interviewed workers in Brazil, China, Germany, India, the UK, and the U.S. (Odell, 2007). These examples suggest that companies may modify certain aspects of their corporate values to draw in new generations with new values in order to become employers of choice during times of labor scarcity.



MAJOR FINDING

Out of these seven factors, talent shortages are projected to be second only to economic conditions in terms of their impact on corporate culture ten years from now.

Talent attraction and retention may be the most important influence on how engaged employees become in their jobs (Towers Perrin 2007a; Towers Perrin, 2007b). Highly engaged employees are less likely to quit their jobs and are more likely to perform better than workers who are more disengaged (Roach, 2006). On the other hand, a bad culture can push employees into burnout and contribute to high turnover (“More than Job Demands or Personality,” 2006).

Globalization

As noted before, globalization is the driver most highly correlated with market performance, and this factor is expected to become considerably more important to culture over the next 10 years. As a company expands into other countries and hires local employees, those workers will bring their ideas, beliefs, and ways of doing things into the corporation. Moreover, corporations themselves must become more diversity-minded and stop seeing issues from the perspective of a single nation or culture. Corporations will also have to adapt to laws governing business behavior in those countries.

In some cases, this evolution toward a more global set of cultural values takes place over years, as companies expand into new markets and are influenced by a newly experienced national culture. But, in other cases, change comes quickly as U.S. companies acquire businesses in other nations or, as has become common, foreign businesses acquire U.S. businesses. It’s important for companies to do their due diligence in such conditions, taking steps to anticipate the kind of cultural incompatibilities that can hinder the success of mergers. In some cases, organizations will need to put in place new education and communication programs to make corporate leaders and employees more sensitive to other cultures and sets of values.

It is not only those companies that go global that feel the effect of ethnic diversity. As U.S. companies hire immigrants, they also bring their ideas and culture into the workplace. Just consider, for example, the change in corporate acceptance of Muslims. Today, a growing number of companies provide prayer rooms. Others provide special foods in the cafeteria, and some provide affinity groups to let like-minded employees get together. Such programs are bound to influence corporate culture.

Work/Life Balance Concerns

As noted before, work/life balance is more strongly correlated to the Culture Index than any other external driver of culture. Culture plays a major role in helping people balance their personal and professional obligations, especially if there are family obligations involved.

Other studies have highlighted the importance of work/life balance issues. Work/life balance was considered the second most likely societal trend to have a major impact on the workplace by more than half of 1,232 HR professionals surveyed by the



MAJOR FINDING

Work/life balance is more strongly correlated to the Culture Index than any other external driver.

Society for Human Resource Management. Fifty-one percent of those surveyed considered work/life balance second only to technological advances in communication in terms of impact. The HR professionals expect that employees will demand teleworking options, more time off, and flexible work arrangements in the coming years, partially because of the trend among Generations X and Y to value work/life balance more than retirement benefits

and health care (Schramm, 2006).

Sometimes these balance issues are related to family responsibilities. U.S. women are so displeased with the poor quality of their work/life balance that 52% expressed willingness to take less pay if it would afford them more time to spend with their family, according to a survey by the online job site CareerBuilder.com. The site's survey of more than 600 full-time female employees found that about 40% admitted missing significant events experienced by their children during the preceding year ("American Moms Demand Better Work-Life Balance," 2006).

But it isn't only women who are dissatisfied with work/life balance in regard to their children. More fathers have been opting out of work to stay home and care for their children, with a 29% increase of such men since 1993, according to an analysis of U.S. Census Bureau data by Challenger, Gray & Christmas. From 1993 to 2003, the number of men consciously choosing to become stay-at-home dads, with at least one child under the age of six and their spouse being the only source of income, rose from 230,000 to 300,000. Growing interest in work/life balance by fathers, especially among Generations X and Y, is causing employers to consider more flexible work options for men (Gurchiek, 2005).

Time will tell how these trends play out in the future. Difficult economic times can reduce work options and make it hard for parents and others to balance work with personal lives. But the data suggests that—if they have a choice—most people will choose jobs that give them more options in this area.

Other Drivers of Culture

Mergers and Acquisitions

The *AMA/Institute for Corporate Productivity Corporate Culture Survey 2008* also inquired about other circumstances that can have a major impact on corporate cultures. One of those is mergers and acquisitions. Among respondents to the study, 26% said their organization had gone through a merger over the previous five years. Of those, less than a quarter—22%—said their organization was successful to a high or very high extent in creating a unified corporate culture after a merger.

This is alarming but not surprising. Merging organizations is extremely difficult to pull off and the number one reason for failure seems to be the cultural clash between the merging parties (Boglarsky, 2005; Carleton & Stevens, 2004). The failure to understand and mesh with a company’s corporate culture is the cause of many lost jobs, especially after mergers (Smith, 2005).

» **MAJOR FINDING**
The study shows a strong relationship between scoring high in the Culture Index and reporting that a merger was a success in creating a unified culture.

The good news is that having a positive corporate culture seems to boost the chances for success. That is, the study shows a strong relationship between scoring high in the Culture Index and reporting that a merger was a success in creating a unified culture. There is also a high correlation between success in creating a unified culture and market-performance success.

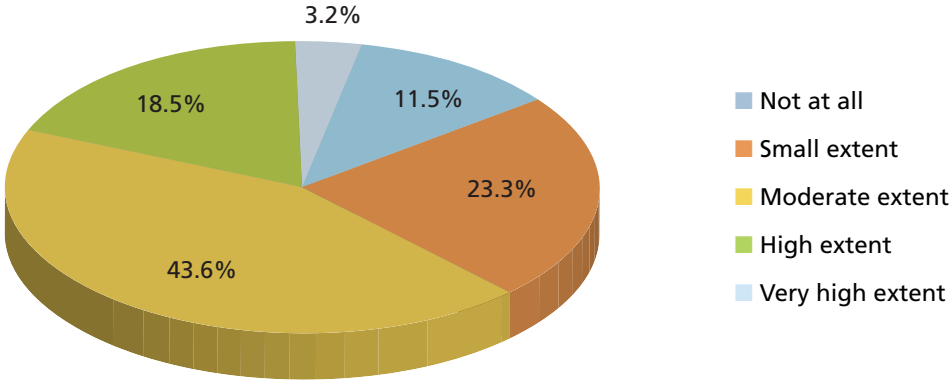
Outsourcing Partnerships

As more organizations become engaged in outsourcing relationships with vendors, there’s a danger that these relationships could erode or conflict with current corporate cultures. Outsourcing the recruitment function, for example, could result in the hiring of more employees who do not fit well into the current culture.

Keeping such conflicts in mind, the AMA/Institute for Corporate Productivity study asked respondents about the importance that their organizations attach to their outsource partners’ cultures. About 47% said that an outsource partner’s culture is highly or very highly important, and another 32% said it is moderately important.

Figure 6

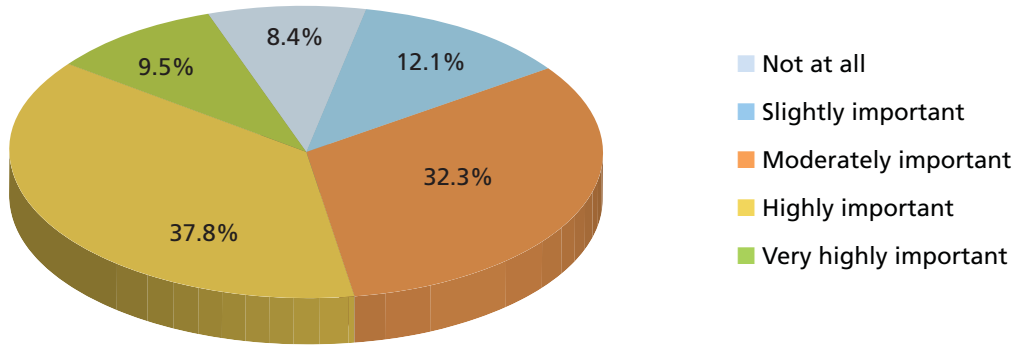
To what extent was the merger successful in terms of creating a unified culture?



Correlation with Culture Index = .54**
 Correlation with Market Performance Index = .37**
 **significant at p<.01

Figure 7

How important is it that any outsource partner’s culture is compatible to yours?



Correlation with Market Performance Index = .10**
 Correlation with Culture Index = .35**
 **significant at $p < .01$

Our analysis found that the higher the importance attached to a partner’s culture, the higher the respondents tended to score on the Culture Index. This suggests that companies that take an outsource partner’s culture into consideration can avoid, or at least lessen, the erosion of culture that potentially comes with outsourcing arrangements.

Organizational Structure and Other Factors

Does the structure of an organization affect corporate culture? This study suggests that the answer is yes. The more hierarchical an organization is, the less likely it is to score high on the Culture Index, even if we take out one of the components of the Index (“decision-making authority exists at all levels, not just top management”) that might “prejudice” these findings. The study also finds a small but significant negative correlation between the degree to which an organization is hierarchical and its market performance.




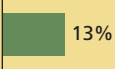
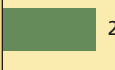
Decentralization, on the other hand, appears to pay dividends. Organizations that say they are decentralized to a greater extent also score significantly higher on both the Culture and Market Indices. While there are probably multiple explanations for these findings, it’s possible that, as many management thinkers have hypothesized, decentralization is a more effective structure in fast-paced business environments that require innovation, quick responses to changes, and trust.

This does *not* mean, however, that organizations should forego hierarchies altogether. In fact, only 4% of respondents said their organization were not hierarchical at all. But too much hierarchy is usually associated with slower decision making, which might reduce performance and create a less effective culture.

Another finding worth noting is that organizations where “Six Sigma principles are critical” are more likely to score higher on the Culture Index and the Market

Index. In fact, out of the five factors listed in the table below, Six Sigma principles were most strongly correlated with market performance. It appears that organizations that use these principles—which represent a data-driven methodology for reducing defects in products and services—are more likely to be successful in the marketplace. Perhaps a rigorous orientation toward quality results in a more professional level of management (and therefore higher performance), especially in industries such as manufacturing where quality has become essential for success.

Figure 8

To what extent are the following statements true of your organization?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
It is hierarchical	 53%	-.33**	-.05*
It is in a highly regulated industry	 50%	-.05	.03
Six Sigma principles are critical	 14%	.27**	.14**
It has a strong union presence	 13%	-.06**	-.09**
It is decentralized	 20%	.23**	.10**

*significant at p<.05

**significant at p<.01

Seeking State-of-the-Art Practices for Managing Corporate Culture

We've learned that corporate culture reflects an institution's distinctive code of behavior, language, customs, and manner of operating. It distinguishes the institution from other entities, and it is the expression that can help determine business success or failure.

But what does it mean to have a state-of-the-art culture? After all, since virtually every corporate culture is both complex and unique, experts find it impossible to craft a one-size-fits-all strategy for creating an ideal corporate culture. Without trying to portray an ideal culture, this paper will present some of the characteristics of culture-related programs that are—based on survey results, focus-group discussions, and the broader literature—associated with positive corporate cultures.

Specifically, we highlight how various practices relate to the Culture Index (made up of the eight dimensions discussed in the previous section) and the Market Performance Index (made up of self-reported information on revenue growth, market share, profitability, and customer satisfaction). We also identify possible strategic opportunities. Correlation is not the same as causation, of course, and these should only be viewed as interpretations of the data. Moreover, these strategies will not work equally well for all companies, and managers must judge which ones are most appropriate for their unique organizations. But these strategies can likely serve as useful starting points for organizations that wish to improve their corporate cultures.

Again, in this report, we define corporate culture as follows: the shared values and beliefs that help individuals understand organizational functioning and that provide them with guides for their behavior within the organization. For more information on the Culture Index and the correlations used in these tables, please see Figure 1.

View Culture from a Performance Perspective

A majority of respondents said their cultures help their organizations encourage ethical behaviors, comply with regulations, and boost customer satisfaction to a high or very high extent. These are clearly critical drivers of corporate culture today and will be further discussed in this report.

Only a minority, however, claimed that their cultures boost productivity, maximize ROI, retain high-performing workers, or engage workers to a high or very high extent. In short, most companies do not seem to be getting a lot of performance-related behaviors out of their current cultures.

But those that *do* believe their cultures help with some of these performance issues tend to score higher on the Culture Index. There's a particularly strong relationship between having a positive corporate culture and having an engaged and satisfied workforce. Both improving productivity and retaining high-performing employees are also strongly correlated with the Culture Index. In short, it's possible there's a real opportunity here for companies that wish to boost performance. If they focus on generating a more positive corporate culture, they're more likely to see a boost in productivity and talent retention.



MAJOR FINDING

If companies focus on generating a more positive corporate culture, they're more likely to see a boost in productivity and talent retention.

Organizations may also benefit from cultures that are seen as maximizing returns on investment (ROI). The study shows that a strong correlation between cultures that maximize ROI and reported market performance. There is also a statistical relationship between market performance and cultures that increase customer satisfaction.

Figure 9

To what extent does corporate culture help your organization achieve the following?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Encourage ethical behavior	69%	.55**	.16**
Comply with regulatory policies	66%	.30**	.10**
Increase customer satisfaction	52%	.61**	.26**
Boost resiliency in the face of challenging times	40%	.65**	.23**
Increase workforce diversity	39%	.46**	.09**
Retain high-performing employees	38%	.67**	.23**
Improve productivity	38%	.67**	.25**
Maximize return on investment	35%	.61**	.36**
Increase satisfaction of employees	31%	.72**	.25**
Build outsourcing relationships	30%	.43**	.13**
Engage employees effectively	29%	.73**	.22**
Increase global competencies	29%	.39**	.22**
Decrease carbon footprint	20%	.37**	.16**

**significant at $p < .01$

Harness Culture to Facilitate Change and Manage Talent

An analysis of the *AMA/Institute for Corporate Productivity Corporate Culture Survey 2008* shows that, while many management practices have a correlation with the Culture and Market Performance Indexes, these are the strategies with the strongest overall relationships:

- Facilitation of change initiatives
- Talent management
- Leadership development

Yet, only a third or less of respondents rated their organizations as good or very good at facilitation of change initiatives (27%), talent management (31%), and leadership development (32%). This illustrates that there's a significant opportunity for many organizations to boost their performance in these areas by harnessing and nurturing a positive corporate culture.

The Facilitation of Change

The facilitation of change initiatives is especially interesting. Some previous theories about culture have assumed that "strong cultures" are actually averse to change. That is, the stronger the culture, the harder it is to transform the organization, even if those changes are for the better. This study shows, however, that positive cultures (as defined by the Culture Index) are strongly related to the *facilitation* of change initiatives.

Figure 10

How would you rate the following management practices in your organization?			
Responses	Percent Choosing Good or Very Good	Correlation with Culture Index	Correlation with Market Performance Index
Employee training	40%	.45**	.11**
Rewards and recognition	36%	.57**	.19**
Leadership development	32%	.60**	.19**
Talent management	31%	.65**	.18**
Feedback to leaders (e.g., assessment, surveys, focus groups)	30%	.56**	.16**
Discipline process	30%	.40**	.12**
Facilitation of change initiatives	27%	.68**	.20**
HR information systems	26%	.37**	.09**
Coaching	24%	.56**	.15**
On-boarding	23%	.37**	.15**
Teambuilding exercises	23%	.56**	.16**
Succession planning	22%	.51**	.18**
Selection programs	21%	.42**	.12**

**significant at $p < .01$

One major reason for this, of course, is that having a culture that “promotes quick responses to needed changes” is one of the eight characteristics of a positive culture (see Figure 1). If business leaders stress values and attitudes that encourage required changes, then the culture itself can boost adaptability.

There are, of course, many aspects to building change-friendly corporate cultures. As AMA’s *Agility and Resilience in the Face of Continuous Change* (2006) study shows, there are at least three primary levels on which organizations should focus when trying to create a more agile company: individual, team, and organization. They need to focus on an individual’s values and abilities because, “after all, the employee’s psychological, physical, and intellectual capacities—such as his or her openness to change and the ability to function in highly ambiguous situations...will determine whether and how long a strategic change initiative can be sustained” (p. 21).

Companies must also look at the workgroup or team levels to nurture cultures that can help facilitate change. AMA’s 2006 study notes, “Teams are easily disrupted when leaders and members change, and each team member’s individual needs can take precedence over his or her commitment to the team when severely stressed. It is, therefore, impossible to think about building adaptive capacity without targeting both

individuals and teams.” Teams that are capable of quick responses and change should have the following characteristics:

- Be good multitaskers, capable of doing many things at once
- Have great persistence
- Be active learners, quickly acquiring and applying new skills and knowledge
- Have adopted the organization’s values and beliefs
- Function well during pressure and stress
- Be action-oriented, quickly taking advantage of situations
- Have well-developed group skills (e.g., problem-solving)

Companies should also look at organization-wide change capabilities. This requires creating not only a set of well-communicated cultural values that favor change and agility but also policies, processes, systems, technologies, and structures that allow the culture to express itself. For example, even if a corporate culture favors change, embedded technological systems or corporate structures that slow response times will stymie change initiatives.

Leadership Development

Leadership development refers to any activity that enhances the quality of leadership within an individual or organization. These activities have ranged from MBA-style programs offered at university business schools to high-ropes courses and executive retreats. The success of leadership development efforts has been linked to three variables: individual learner characteristics, the quality and nature of the leadership development program, and the genuine support for behavioral change from the leader’s supervisor and organization (Baldwin & Ford, 1988).

Culture plays a role in all three of these variables. That is, culture helps determine the type of managers who are drawn to the organization and whom the organization is willing to hire. A more positive corporate culture can be created if the company recruits leaders who can encourage cooperation among workers, bring out the best performance in workers, know how to delegate decision-making authority to maximum effect, and encourage innovative behaviors.

Culture also helps shape the quality and nature of leadership development programs. In fact, a 2005 global study of leadership, *Leading Into the Future*, by the American Management Association clearly shows that “inadequate leadership development program content” and “lack of supportive culture” were among the top four barriers to the successful development of leaders (p. 26). The quality of leadership development programs is largely determined by the organization’s ability to develop traits important to the organization (e.g., the ability to align culture with strategy). The quality of such programs is also driven by the ability of the organization to identify high-potential employees who share and express the values of the organization. Mentoring, coaching, and feedback styles are influenced by culture as well (Leskiw & Singh, 2007).



MAJOR FINDING

Only about a third of respondents said their organizations are good or very good at leadership development.

And, of course, the culture largely determines the support for behavioral change from leaders. One of the primary characteristics of organizations with good leadership programs is simply their commitment to the process. This commitment needs to be ingrained in the larger corporate culture.

Talent Management

Leadership development is often viewed as a subset of talent management or human capital management. Companies that excel in this area are strategic and deliberate in how they source, attract, select, train, develop, retain, promote, and move employees through the organization. The term also includes how companies drive performance at the individual level: that is, performance management. Talent management generally implies a useful integration of these functional components.



MAJOR FINDING

Not only talent management but also its components are linked with positive corporate cultures.

It should be noted that a number of other talent management components were also asked about in the *AMA/Institute for Corporate Productivity Corporate Culture Survey 2008*. All of these items—including

training, rewards and recognition, coaching, on-boarding, succession planning and selection—are also significantly correlated with a positive corporate culture.

But why would there be such a strong correlation between a positive corporate culture and talent management? There are likely multiple answers to this question. First, a positive culture makes it easier to attract and retain skilled and talented personnel. Working in cooperative and innovative organizations tends to be attractive to skilled job seekers. Second, a positive culture is, by our definition, one that can “bring out the best performance” in workers. This implies effective performance management, training, and development systems. Combined with engagement and rewards programs, these systems are used to boost performance levels.

A third reason is that talent management decisions are often driven by a set of organizational core competencies as well as position-specific competencies. The competency set may include knowledge, skills, experience, and personal traits (demonstrated through defined behaviors) associated with the needs within the culture. That is, the competencies wind up reinforcing the desired culture if the talent management program is effective.

Look Beyond Leadership to Strategic Direction and Talent Development

Some definitions of culture emphasize behaviors as well as values and beliefs. To shed light on the drivers of behaviors, the *AMA/Institute for Corporate Productivity* study asked about which organizational practices influence corporate behaviors. The top response, by far, was that the leadership practices and behaviors are most likely to influence other behaviors in organizations, with 61% saying this is true in their organizations to a high or very high extent. “Communication from senior management” was also cited by a majority of respondents (52%) to that same high extent.

Figure 11

To what extent do these organizational practices influence behaviors in your organization?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Behavior of leaders	61%	.41**	.11**
Communication from senior management	52%	.47**	.14**
Key processes in the organization	44%	.42**	.13**
Structure of the organization	44%	.38**	.15**
Strategic direction of the company	43%	.56**	.18**
Talent development	35%	.53**	.18**
Performance measures	34%	.47**	.19**
Talent recruitment	33%	.49**	.16**

**significant at p<.01

These responses make it clear that leaders and their communications practices are prime movers of behaviors in organizations. This is not a great surprise, given the hierarchical nature of most businesses today. Employees are obligated to take their direction from leaders, and this includes not only listening to their words but, perhaps even more so, watching their behaviors.

» **MAJOR FINDING**
Don't underestimate the influence of leaders. They and their communications practices are prime movers of behaviors in organizations.

Given these findings, we should not under-rate the importance of leadership's role in driving behaviors. However, organizations should also look beyond leadership to other practices, especially the "strategic direction of the company" and "talent development." Only 35% of survey respondents said that, to a high or very high extent, talent development influences behavior in their organization. And just 43% responded that, to a high or very high extent, behaviors are influenced by the strategic direction of the company.

Yet, compared with leadership behaviors and communication, these two practices are not only more highly correlated with the Culture Index but also, along with performance measures, more highly correlated with market performance. These practices may well represent opportunities for organizations to create more positive corporate cultures.

In the talent development process, companies can encourage the type of behaviors associated with positive corporate cultures. Likewise, when setting new strategic directions for the organization, they can pay greater attention to what employee behaviors are required to achieve strategic goals.

This should aid in the organizational alignment process. A 2007 AMA survey on high-performance organizations shows that a consistency of strategic approach was among the biggest differentiators between the high-performing organizations and their lower-performing counterparts. That survey found that the single most widely cited strategic practice among high-performing organizations was “my organization’s philosophy statement is consistent with its strategy.” And the strategic practice in which high performers outstripped low performers the furthest was “organization-wide performance measures match the organization’s strategy,” followed by “my organization’s strategic plan is clear and well thought out.”

Clearly Communicate Your Organizational Values to Everyone

Values are a critical component of corporate cultures, and nearly half of responding organizations (48%) said their organizations provide “clear communication and values to all employees.” This is not only the most commonly engaged-in activity from this

question set, but it is also the one most highly correlated with the Culture Index and has the second-highest correlation with market performance.

We can relate this back to the fact that over two-thirds of respondents (69%) reported, to a high or very high extent, that their organizational cultures help them “encourage ethical behaviors” (see Figure 9). It’s very clear that organizations see instilling values and ethics as one of the predominant roles of corporate cultures.

To fulfill this obligation, however, corporate cultures must defend against sending conflicting signals to employees. When AMA published its global study called *The Ethical Enterprise*, it asked about the top three factors most likely to cause people to compromise an organization’s ethical standards. The most widely cited factor, by far, was the “pressure to meet unrealistic business objectives/deadlines,” cited by 70% of respondents to that study. That report noted:

Boards of directors can be unforgiving in their treatment of CEOs who miss key business objectives. Like professional athletes, CEOs are often seen as only as good as their last “season.” So it becomes tempting for some executives to “bend the rules” to achieve the desired business results. And the pressure to perform often cascades down the corporate hierarchy, with executives pushing their subordinates to meet business objectives that they might feel can be achieved only by cutting ethical corners (p. 55).

The way to prevent such pressure is to ensure that values and ethics—not just performance goals—are clearly communicated throughout the organizations. Leaders who skip this essential managerial step could easily find that their organizations become involved in unforeseen scandals.



MAJOR FINDING

Instilling values and ethics is viewed as one of the predominant roles of corporate cultures.

Figure 12

To what extent does your organization engage in the following activities?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Provides clear communication of values to all employees	48%	.56**	.18**
Provides communication technologies for workgroups in different locations	46%	.32**	.11**
Provides training and development for employees who work remotely	34%	.41**	.14**
Provides sufficient budget resources for periodic face-to-face meetings among team members from different locales	33%	.38**	.15**
Provides career development for all employees	30%	.52**	.15**
Provides succession planning that includes remote leaders	23%	.45**	.19**
Provides leadership development that focuses on leading from a distance	19%	.40**	.16**
Provides teambuilding opportunities designed for remote employees	16%	.46**	.13**

**significant at $p < .01$

Don't Forget to Include Those Who Work Remotely





Today, a growing number of organizations are geographically dispersed but technologically connected, if not fully integrated. Under these circumstances, there's a danger that corporate cultures can become fractured, splintering into many different, and sometimes conflicting, types of cultures, and potentially causing dramatic misalignments in organizations.

This study shows that the integration of employees and, especially, leaders who work from remote locations is, in fact, a problem in many organizations.

Only about a third (34%) of responding organizations said that their organizations provide “training and development for employees who work remotely” to a high or very high extent, only 23% said that “succession planning includes remote leaders” to such an extent, and just 16% said their companies provide “teambuilding opportunities designed for remote employees” to a high or very high extent. But, those organizations that engage in these activities are significantly likely to score higher on the Culture Index as well as on the Market Performance Index.

One practice that is especially highly correlated with a positive culture is providing “career development for all employees,” though only 30% of respondents said their companies do this to a high or very high extent. So, expanding employee development opportunities might be one way of improving corporate cultures.

Figure 13

To what extent do the following statements describe leadership styles (of VPs and C-level employees) in your organization?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
This organization rewards leaders who are task oriented	 39%	.16**	.09**
This organization rewards leaders who are relationship oriented	 34%	.45**	.11**
Our leaders use an empowerment style to direct employees	 33%	.67**	.19**
Our leaders use a command-and-control style of directing	 34%	-.31**	-.07**

**significant at $p < .01$

To Lead Well, Empower Others

The style displayed by senior leaders influences the type of culture within an organization. Leaders who “use an empowerment style to direct employees” show the strongest correlation to a positive culture and market performance. The relationship to the Culture Index is not surprising, given that one feature of a positive culture, as this study has defined it, is one where “decision-making authority exists at all levels, not just top management” (see Figure 1). But the correlation with the Market Performance Index supports the contention that an empowerment style is indeed a signature of a high-performance corporate culture.

Developing an Empowerment Style of Leadership

One way an organization can ensure that leaders have an empowerment style is through decision-making. High levels of employee empowerment are shown when a workgroup acts in the following ways:

- Defines the problems it must solve or decisions it must make
- Plans how it will solve problems and make decisions
- Spends ample time discussing problems that must be solved and decisions that must be made
- Implements and evaluates its solutions and decisions

Note the absence of the word “leader” in this description. Power has effectively been transferred to the group. Cohesion among group members is another strong indicator of empowerment. The group resolves conflicts quickly. Members cooperate, and conflicts are brief and task related. Fundamental to a definition of empowerment is high performance in the group. Work and the accomplishment of goals are the reasons for the team to exist.

In contrast, leaders who use a command-and-control style of directing are negatively associated not only with the Culture Index but with the Market Performance Index as well, indicating that a command-and-control style can have negative repercussions for companies.

It's interesting to note that there is no consensus in these statements about leadership styles. That is, there is no case in which even a majority of respondents said their leaders display any of these styles to a high or very high extent. This is likely because high-level managers utilize a variety of leadership styles, depending on the specific context of what they're managing. Empowerment may not be the one best style of leadership in every circumstance. However, this study clearly indicates that, generally speaking, empowerment and a relationship-oriented style of leadership are superior in terms of forging a positive corporate culture.

Develop Leaders Who Model Desired Behaviors and Align Programs with Culture

The AMA/Institute for Corporate Productivity survey suggests that there's good news and bad news when it comes to leadership behaviors in today's organizations. The good news is that a majority (64%) of respondents reported that, to a high or very high extent, their organizational leaders are "highly ethical," and 57% said their leaders align work to organizational business needs to a high or very high extent. These behaviors are correlated with having a positive culture, and the alignment of work to business needs more strongly relates to market performance than any other leadership behaviors listed.

The bad news is that many of the leadership behaviors considered in this question are not widely exhibited among responding firms. Only about a quarter of respondents reported that, to a high/very high extent, their leaders are using rewards and recognition well or are good listeners. Only about a third (35%) said their leaders are making sure programs support the culture, and just 41% said their leaders are modeling the desired behaviors.

Yet, many of these are critical leadership qualities that, when available, are strongly correlated with positive cultures. This is especially true of making sure that programs support the desired culture, modeling desired behaviors and being a good listener. To the degree that organizations can promote better leadership behaviors in these areas, they probably increase their chances of creating a more positive and effective organizational culture.

This study supports the often-heard contention that it's important for leaders to "walk the talk." Leaders do not just make decisions and give orders. They are highly scrutinized by their employees, who seek out inconsistencies between messages and

The Characteristics of a Good Listener

- Asking for the opinions and ideas of others
- Avoiding overreaction or other inappropriately emotional displays
- Being accessible
- Responding with empathy
- Listening more than talking
- Acting as a sounding board
- Noticing nonverbal behaviors that may signal unexpressed concerns of associates
- Asking for clarification to enhance understanding

Figure 14

To what extent do the following statements describe all leaders' behavior in your organization?			
Responses	Percent Choosing High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
They are highly ethical	64%	.49**	.14**
They align work to organizational business needs	57%	.61**	.21**
They celebrate successes	41%	.56**	.14**
They model desired behaviors ("walk the talk")	41%	.66**	.19**
They make sure programs support desired culture	35%	.70**	.19**
They are strong communicators	32%	.59**	.13**
They are emotionally self-aware	27%	.59**	.15**
They are good listeners	26%	.64**	.15**
They use rewards and recognition well	23%	.61**	.19**

**significant at p<.01

behaviors so that they will know the truth of how to “really act” within their cultures. Leaders who model desired behaviors send clear cultural signals.

In the same vein, leaders need to ensure that programs are consistent with the culture as a whole. That is, they not only need to model consistent behavior, they need to make sure their organizations’ programs, procedures and reward systems reflect the values of the culture as a whole. If the values state that customer satisfaction is an important value, but a specific procedure or rewards system (for example, rewarding employees for spending less time per customer problem) makes it difficult for customers to get answers to their product questions, then there is a disconnect between the procedure and the espoused value. Ultimately, unless this conflict is remedied by a leader, this disconnect will impact the cultural values of the organization, sending a message to employees along the lines of “we like to say customer satisfaction is important but, in reality, it’s not that big a deal.”

Consider Using More Mentoring Programs

One of the secrets to hiring and retaining top talent is making certain that employees can be successful in the current corporate culture. While most organizations do the basics, such as distributing handbooks to new hires, relatively few respondents said their organizations—to a high or very high extent—give applicants a realistic preview

Figure 15

To what extent does your organization use these practices for new hires?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Distribution of employee handbook	55%	.21**	.05
Structured interview process (i.e., all applicants asked the same questions)	45%	.30**	-.02
Applicants given a realistic job preview before being hired	38%	.42**	.13**
Mentoring program	17%	.53**	.12**

**significant at p<.01

of the job before they are hired. This means that new hires are more likely to come into a job—and a corporate culture—without being prepared for it. Under these circumstances, it becomes more likely that a new hire will be dissatisfied or ineffective once he or she truly understands the job and culture.

» **MAJOR FINDING**
Mentoring programs may be among the most effective tools for creating a positive corporate culture, one where new hires have the opportunity to really learn the culture and their roles within it.

The study also shows that relatively few organizations use mentoring programs to a high or very high extent, even though these are strongly correlated with the Culture Index. It appears that mentoring programs are among the most effective tools for creating a positive corporate culture, one where new hires have the opportunity to really learn the culture and their roles within it.

In a Merger, Emphasize Communication

Among respondents to the *AMA/Institute for Corporate Productivity Corporate Culture Survey 2008*, about a quarter said their organizations had gone through a merger over the previous five years. Those who had been through a merger/acquisition were asked about the types of actions that they’d taken during that period.

Forty-two percent said that, to a high or very high extent, “all changes were analyzed from the perspective of business needs.” This strategy is not only significantly related to the Culture Index but is also the action that was most strongly correlated with market performance.

Less commonly cited was a “proactive communication strategy,” which was used to a high or very high extent by only a third of respondents. This strategy is more highly correlated with a positive corporate culture than any other practice, and it has the second-highest correlation with market performance. Another important communication practice involves “dialogue sessions to work through difficult issues.” This is also strongly linked to the Culture Index, yet it was used by just 29% to a high or very high extent.



MAJOR FINDING

Better communication strategies seem to be one clear strategy for creating a more unified and positive corporate culture after a merger.

This data suggests that such communication strategies are sorely underutilized by companies during a merger, which may help explain why only a fifth of respondents said their mergers had been successful to a high or very high extent. Better communication strategies seem to be one clear strategy for creating a more unified and positive corporate culture.

It should be noted, however, that all of these actions are correlated with the Culture Index to a significant degree, but none of them was used extensively by a majority of organizations that had been through a merger. This suggests that there are opportunities here. Companies that wish to boost their chances for more successful mergers should consider leveraging such culture-related practices to a higher degree.

Figure 16

To what extent were the following actions taken during the merger/acquisition?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
All changes were analyzed from the perspective of business needs	42%	.44**	.26**
Leaders who were champions of the new culture were promoted	35%	.34**	.17**
Systems and processes that did not support the new culture were replaced	34%	.40**	.22**
Leaders who didn't support the new culture were removed	33%	.19**	.08
A proactive communication strategy was established	33%	.58**	.24**
HR practices were aligned to the new culture	32%	.42**	.16**
Dialogue sessions to work through difficult issues were established	29%	.53**	.17**
Technology systems that talk to one another as quickly as possible were established	27%	.44**	.19**
Teambuilding practices were used	18%	.53**	.14**

**significant at p<.01

Track Best Practices

For this study, the AMA/Institute for Corporate Productivity survey asked, “If you feel your organization is good at managing its corporate culture, please share any ‘best practices.’” A review of the comments offered by survey participants indicates that employees are taking note of how their organizations promote a positive culture. Hundreds of respondents shared their thoughts concerning what they believe to be the best examples of fostering a world-class corporate culture. Common threads running throughout many of the comments included those related to communication, leadership, strategy, and values.

Communication

While the mantra to “communicate” resounds in the ears of most managers, knowing exactly what to communicate is less clear. Many respondents focused on the importance of both the style and the content of management communication as having a strong impact on a company’s culture. One survey participant spoke to the value of specific feedback: “[We engage in] constant communication between managers and their direct reports to nip any problems in the bud before they grow and before others think that ‘problem’ behavior is ‘acceptable’ behavior.”

Another respondent made a case for a constant flow of communication as a way to keep important aspects of culture at the forefront of employees’ minds: “This organization is excellent at maintaining culture—done through e-mailed articles from CEO and other senior management, which are discussed in team meetings. There are also training sessions for new employees that are ONLY about culture, and there are refresher/subsequent short courses. Cultural behavior is part of every employee’s regular reviews with their manager. There are also awards for those employees who exemplify culture.”

Strategic Initiatives

Another commonly shared best practice focused on strategic initiatives. Most employees know that setting the strategic direction of the organization is an activity reserved for top management. That said, respondents expressed genuine appreciation when management made an effort to enlist their thoughts (via blogs, wikis, and suggestion forums) regarding strategic changes and initiatives and followed up with timely communication. One manager said his or her organization now consults “the entire organization and solicit[s] feedback on changes in [the] strategic plan to enlist support of all staff.”

Many other survey participants echoed these thoughts with best practices that tie strategic plans to employee behavior and rewards/recognition. In other words, culture is “just talk” until it is tied to operating procedures and monetary remuneration. One survey participant reported that “performance planning and evaluation processes that are tied to strategic planning and objectives has been our most progressive communication tool in an organization that is transitioning from an entrepreneurial organization to a highly effective/well managed growth company.”

Leaders

A third category of best practice responses addressed the significance of the role of organizational leaders in making a positive culture a reality. “It all stems from the top down...when senior management works hard, communicates well, and is equally invested in executing a stellar job, everyone on the team is equally as dedicated and ultimately successful.” Other respondents commented on the fact that if leadership is going to be an effective driver of a positive culture, then leadership cannot just come from the top of the organization. Leadership skills and responsibilities must be pushed down throughout the organization if the culture is really going to saturate the thinking and behavior at each level. To this end, one respondent reported the following:

We have a leadership charter which everyone receives and is expected to abide by, which encourages leadership in every single employee. We have a detailed code of conduct and ethics reporting system which holds people accountable for all their actions. We give out a President’s Award annually in 4 categories (Safety Performance, Teamwork, Innovation & Service and Commitment) on a peer nomination basis which encourages people to strive for success.

Values

Finally, many of the shared best practices addressed the impact of values, ethics, and codes of conduct on the organizational culture. In general, the comments suggested that the more clearly and directly values are identified and communicated, the more likely they are to affect employee behavior. While attempts to convey values in a gentle or subtle manner may be well intentioned, employees tend to see this as indecisive and confusing. A strong culture is a result of clarity in terms of what an organization values as well as clarity in terms of how those values are communicated. When leaders’ behaviors don’t align with espoused values, employees are at a loss as to what is expected of them personally. As one respondent stated, “The culture comes from the top, the leaders must walk the talk, preach the company values and reinforce the importance and impact our culture has on the employees, the customers and the suppliers.” Another survey participant explained how his company links values and desired behavior: “Core values for the firm are clearly articulated, and are a mandatory part of the goals for each employee.”

The range of best practices communicated in this study demonstrates how much time and consideration many organizations put into their thinking about corporate cultures. The responses indicated very little skepticism about the concept of corporate culture in general, though some respondents did indicate that their own organizations have very little in terms of positive practices to offer. In the end, responses to this question suggest that there is an array of effective methods for managing corporate cultures.

Strategy Forecast: The State of Corporate Cultures in the Year 2018

This section of the study is, in essence, a forecast about how the concept and realities of corporate culture will evolve over the next ten years. These forecasts are based on findings from the Corporate Culture Survey 2008, a review of the literature, and research team discussions.

Corporate Culture Will Become More, Not Less, Important

Some observers would like the whole idea of a “corporate culture” to go away, arguing that it is too vague and amorphous. In a competitive global society, however, it will become more, rather than less, important. That’s because, in the highly multicultural, technologically mediated organizations of 2018, it will be ever more critical for far-flung organizations to forge unique identities both for customers and employees. This will be part of the “branding” efforts that organizations embrace to maintain and establish market share in an extremely competitive world.

The branding will not only be for customers, it will also be a major component of the talent management process, starting with recruitment and then being engrained into the on-boarding and development process. Today, companies often say that “people are our greatest resource.” They will still make those claims in 2018, but when they refer to “people,” they will increasingly refer to a complex web of relationships, values, beliefs and behaviors that are unique to their institutions. Ultimately, it is this web that is more important than individual contributors to maintaining a competitive advantage.

The Gauging of Corporate Cultures Will Become More Rigorous

Many of today’s organizations go to a great deal of trouble and spend considerable sums of money to survey their workforces in order to gauge factors such as job satisfaction, workforce engagement, relationships with peers and supervisors, etc. Such surveys, often called organizational culture surveys, will become more widely adopted even as they’re more rigorously statistically validated. They will focus on alignment and performance as well as engagement and satisfaction. Such surveys will be based on increasingly robust paradigms that establish the differences between healthy and unhealthy corporate cultures.

There will be considerable debate over whether the criteria and responses associated with such surveys are too ethnocentric—that is, limited to specific national and regional cultures. In the end, these debates will only strengthen the culture-measurement tools. After all, global organizations will be on the cutting edge of these practices and will be working toward corporate cultural methods that apply across a variety of ethnic groups and nationalities.

Measuring corporate culture will not, however, be done merely through surveys, focus groups, or similar practices. As talent management and enterprise resource planning technologies become more sophisticated, data from day-to-day operations will increasingly be fed into internal culture indexes to see if there are signs of unexpected or unwanted culture changes. For example, are turnover rates rising among certain segments of employees? Do 360-degree performance reviews show less trust in supervisors? Are customer complaints up, or has there been a slowdown in innovation? Such data can be analyzed on an ongoing basis, giving managers and teams forewarning about cultural changes and allowing them to react more quickly if unhealthy cultural proclivities seem to be emerging.

More Organizations Will Develop Healthy Corporate Cultures

We believe that, in general, organizations will develop healthier cultures in the future. But whether or not this turns out to be true depends on many hard-to-predict variables. Will the world become more secure from conflict, terrorism, and other disasters in coming years? Will a scarcity of natural resources and other factors have a severely negative influence on the global economy? Will the concept of sustainability gain more ground?

Assuming that overall economic growth continues to rise and the world becomes more rather than less secure, we believe that market competition will result in healthier corporate cultures. These cultures will be associated with high-performing organizations whose employees show relatively high rates of engagement and productivity (see Figure 9).

One reason for this forecast is that, as this study shows, a more positive culture is linked to high market performance. Organizations will imitate the best performers in their industries and these performers are more likely to have healthy corporate cultures. Second, as this study clearly shows, talent shortages are expected to influence cultures to a much greater extent over the next ten years (see Figure 5). To woo and retain top talent, organizations must ensure that they have an attractive and healthy culture that provides them with plenty of development opportunities and that it is based on a spirit of cooperation, trust, and strategy execution. This study has found that a company that is viewed as a good place to work is quite likely to be seen as having a positive culture (see Figure 2).

A third reason for this is that both the research and technologies related to tracking culture will become better, as noted in the previous section. Finally, demographic influences will ensure that companies have a more diverse workforce based on age, gender, nationality, religion, ethnicity, and other factors. For corporations to ensure that they maximize performance in such organizations, they'll be forced to develop respectful, cooperative, and, yet, performance-oriented cultures.

Knowledge Transfer Will Be Critical to Cultures

The *Corporate Culture Survey 2008* suggests that there's no real advantage to having a stable, longer-lasting culture. It's not the age that matters; it's the quality of the culture itself. But being able to transfer knowledge within the company will be critical to corporate cultures. Generally speaking, organizations will be better at communicating codes of conduct, organizational styles, missions, strategies, and even preferred communication styles. Co-workers who live in many different parts of the world should, despite their geographic and even cultural differences, be able to summarize their organization's overarching strategies as well as its code of conduct and basic mission.

In ten years, there will be plenty of great communication technologies at hand, but companies will struggle with how to communicate tacit knowledge. Mentoring and, perhaps, internal coaching will become more common, since mentoring typically allows companies to transfer complex ideas, values, and even emotions better than do technologically based media. Companies will increasingly experiment with a variety of other tacit knowledge transfer programs as well.

They will also place a greater emphasis on strategy communication. Currently, relatively few companies are good at communicating their strategies to employees, making it difficult for employees and managers to align their actions and behaviors to the strategic goals of the organization. In the future, organizations will take steps to remedy this problem, not only communicating strategy more explicitly but also building cultural events—picnics, games, brainstorming sessions, etc.—around such strategies.

In the end, the most important driver of corporate culture will not be geography, ethnicity, or language. It will be sophisticated and multidimensional communication strategies.

Cultures Will Need to Be Both Resilient and Agile

Organizations that keep a careful eye on what's changing their business environment and that can then quickly respond to (or even anticipate) those changes will have cultures that put them at a competitive advantage. The AMA/Institute for Corporate Productivity study clearly shows that positive cultures can facilitate change, and this is a critical attribute in the year 2018.

At the same time, certain features of corporate cultures will need to be dependable, such as a commitment to key values. This will allow employees to maintain a sense of equanimity and stability amid turbulence, and it will allow the organization to stay resilient even when it takes a psychological or financial hit in the marketplace (*Agility and resilience*, 2006). There will likely be solid metrics that gauge both the agility and resilience of organizations.

The ability to cultivate and maintain healthy corporate cultures will become a standard component of leadership development programs. At the same time, someone or some team will be made responsible for tracking the “state of the culture.” This will likely fall to whoever is accountable for talent management issues, whether this is the head of HR, chief of talent, or some other title. In the best companies, that person or function will not, however, be held solely responsible for developing, maintaining, or “fixing” a culture. Ultimately, this responsibility will probably be most effectively executed if it is the duty of some larger group, such as a cross-functional team of executives.

More Corporate Cultures Will Adopt Sustainability-Related Values

Among the more surprising findings of the *Corporate Culture Survey 2008* was that sustainability is the second most widely cited factor influencing culture today. There are various factors that are likely to raise the importance of this issue over time:

- The expanding global population
- The economic growth of China, India, and other large nations
- The rise in pollution levels and natural resource usage as a result of global economic and population growth
- Growing business regulation as developing nations become developed nations
- More technologies that allow for the “greener” consumption of natural resources and production of manufactured products

- Greater innovation in socioeconomic processes such as emissions trading
- Greater customer and employee desire for socially responsible corporate actions

Such values are likely to remain strongest in European-based corporations over the next ten years but will likely be increasingly integrated into organizations based in other nations as well, especially if “green” products and services gain an ever-greater advantage in the global marketplace.

More Employers Will Try to Create Cultures That Attract Talent

As the Baby Boomers retire in the U.S. and some other large nations, such as China (Lane & Pollner, 2008), deal with talent shortages of their own, there will be a greater emphasis on creating the type of corporate cultures that appeal to skilled employees. We can call these “talent-magnet cultures.” They will tend to support cooperation, networking, group problem solving, career development, empowerment, flexibility, and engagement. Such cultures must also value diversity because the global talent pool will come in many different nationalities, ethnicities, and cultural values. Corporations will be challenged to forge a common, performance-based corporate culture that is, nonetheless, flexible enough to encompass people from a wide range of national cultures.

These talent-magnet cultures will also have progressive work/life balance programs and policies. Such policies will help draw in talented people who are trying to balance their work and family obligations or simply wish for more flexible work arrangements. Research work by the Institute for Corporate Productivity shows that employees in professional roles are the workers most likely to request such arrangements (Institute for Corporate Productivity, 2008).

Companies Will Rely More on Dispersed Employees and Virtual Worlds

The *Corporate Culture Survey 2008* shows that most companies are not very good at integrating employees and, especially, leaders who work from remote locations. This will become an ever more serious competitive disadvantage in the future as companies become more electronically and geographically dispersed. Because “leading from a distance” will be so vital, companies will increasingly look for “virtual” or “distance” leadership skills. Leadership development programs will emphasize these skills, and leaders who reside outside the corporate office will need to become more seriously considered for promotions and more formally integrated into succession-planning systems.

There will be a greater use of emerging technologies such as virtual worlds, which are computer-simulated environments that users explore and inhabit via the use of avatars. In 2018, most major corporations will have some “territory” in one or more virtual worlds, and these will be used not only to recruit and train employees from all over the world but also to brand the corporation as a whole and acculturate employees. The virtual representation and operation of a corporation in an online world will help define its culture, creating a greater sense of belonging and understanding among employees working from remote locations.

Internal Learning Will Stress Commonalities, While External Learning Will Stress Culture Management

Internal learning programs will increasingly help define corporate cultures. Those programs will become more diverse over the next ten years as learning continues to expand beyond conventional classrooms and becomes more Web-based, virtual, informal, and just-in-time. There will also be more “high-touch” types of learning such as mentoring, which the AMA/Institute for Corporate Productivity study shows is strongly associated with a positive culture.

Because learning programs will become more diverse, learning professionals will wish to make sure that there are common threads among them. For example, corporate logos will be aggressively attached to all technologically mediated programs. Onboarding programs will stress the common values and attitudes of the corporate culture, and these commonalities will become touchstones in other learning programs. Leadership training programs, for example, will stress the importance of common cultural values that provide guidance to empowered employees. And companies will go out of their way to ensure that workers have a greater understanding of the organization’s mission, vision for the future, business strategy, and rewards philosophy.

This is not to say that much training and development will not be outsourced. It will, but employers will brand these external training opportunities in ways that enhance their brand. “Our culture values learning” will be a message that is emphasized. Meanwhile, external providers of training will increasingly focus on teaching leaders about the dynamics of corporate cultures, the styles of leadership that are most effective in different cultures, how to create unified cultures during mergers and acquisitions, how to forge a common set of values, etc. External providers will be obliged to stay up-to-date on the latest research on corporate cultures because this research will continue to grow and evolve in coming years.

Conclusion

Corporate culture has been studied for decades but there's still much to learn about this complex and evolving subject.

It remains, after all, a “moving target” that is and will continue to be influenced by a range of factors: the larger regional and ethnic cultures in which corporate cultures exist, the globalization of the marketplace, economic trends, new technologies, changing demographic trends, management processes and policies, and the supply of skilled labor, to name just a few.

Despite this complexity, however, business leaders are forced to confront this issue. Except perhaps for the very smallest firms, virtually every organization has a culture, whether or not leadership wishes to admit the fact. And research indicates that the intentional management of culture pays financial dividends.

This study indicates that there’s still much progress to be made in this area. Relatively few organizations score high on all eight of the dimensions that the AMA/Institute for Corporate Productivity research team identified with a positive corporate culture. Generally speaking, the cultures of most organizations do not do a very good job in important areas such as fostering trust, encouraging innovation, responding quickly to changes, or bringing out the best in their workers. The study also shows important events such as mergers and acquisitions seldom result in highly unified cultures.

Can organizations do better or are they somehow the victims of their semi-dysfunctional cultures? This study suggests that, while there’s no magic wand that a leader can wave over his or her organization, there are a number of practices that are associated with having a more positive culture. These range from more clearly communicating the corporation’s values and strategic directions to developing leaders who can model the right behaviors. Instituting mentoring programs, relying more on empowerment-based styles of leadership, providing better career development opportunities: These are just a few of the practices that companies can employ in trying to hone a better corporate culture.

It makes sense to look harder at these issues today because corporate cultures are likely to become even more critical in the future. This study indicates that the external factors influencing culture will have an even greater impact ten years from now. In the highly multicultural, technologically mediated organizations of tomorrow, it will be crucial for far-flung organizations to forge unique identities both for customers and employees as part of their “branding” efforts.

Corporate cultures will also need to be even more adept at becoming “talent magnets” in the future, and they’ll probably more strongly adopt values related to sustainability, diversity, resiliency, and agility. In addition, they’ll often need to represent and express their cultures via virtual, online worlds where geographically dispersed employees can get a greater sense of belonging and understanding.

None of it will be easy. Even organizations that currently have effective corporate cultures today will be challenged to maintain such cultures amid the changes and sometimes turmoil of the coming decade. The good news is that, as this study shows, positive cultures are linked to greater adaptability. Therefore, leaders should view the topic of corporate culture not only as important to high performance today but also as potentially critical to their organization’s ability to survive and thrive in the future.

Epilogue

If you want to gauge the nature of your organization's culture, step outside your office and listen to the discussions around you. What are your employees saying? Are they optimistic about the success of their projects and subsequent marketability? Do they feel that they have the support and backing of their managers when they meet with them in team discussions and make proposals? Do they believe that the company is committed to sustainability? Do they believe that their company believes in their worth for the success of the company's mission—that they play an integral role? And, finally, how do they perceive you and *your* confidence in the organization, its mission, and its employees?

Why does this matter? It matters because the behavior of the members of your organization, including yourself, determines the nature of your company's culture. And the nature of your business's culture does affect productivity and profitability. So your role is to foster a positive culture. A good culture creates an environment in which each employee believes he or she is integral to the success of the organization and its goals. It also provides a blueprint for how to behave—how to treat customers, how to interpret quality issues, and any of the other issues that are increasingly being decided at many levels of the organization.

This study came to two major conclusions. First and foremost, we can expect external factors—globalization, technology, sustainability, ethnic diversification, and economic uncertainty—to influence culture. Second, the study found that leaders will need to be more attentive and more focused on those factors that create a good culture—from communication of the corporation's values and strategic directions to the development of leaders who can model the kind of behavior that inspires a positive culture.

American Management Association is committed to working with you and your employees in addressing the issues raised in this study and in developing learning opportunities that directly improve your organization's corporate culture. The study clearly shows that the challenges will be greater in the future, and we are here to partner with you in your efforts to create the right culture for your organization.

Edward T. Reilly
President and Chief Executive Officer
American Management Association

Appendix

About this Survey

Target Survey Population

Overall, this survey represents usable responses from 1,967 global survey respondents. The survey was distributed via an e-mail link and were completed primarily by managers (45%), followed by directors (20%). The largest percentage of respondents came from the HR function (17%), followed by operations (13%) and general management (10%).

Survey Instrument

In this survey, multiple questions used the well-accepted Likert-type scale, with a 1 rating generally designated as “not at all” and a 5 rating designated as “very high extent.” There were 30 questions in all, ten geared toward the demographics of respondents. Some questions had multiple parts.

Procedure

A link to an online survey was e-mailed to the target population by region during May and June 2008.

Demographic Questions

Table 1

What is your current title?	
Responses	Overall Results by Percent
CEO/President/Chairman	5.0%
EVP/SVP	1.4
Vice President	5.2
Director	20.4
Manager	45.1
Supervisor	3.5
Other	19.3

Table 2

In what function do you currently work?	
Responses	Overall Results by Percent
HR	17.5%
Operations	12.9
General Management	10.4
Marketing	8.8
Systems/IT	8.2
Finance	6.9
Sales	6.5
Research & Development	4.6
Administrative	4.1
Other	20.1

Table 3

What is your organization's type of operation?	
Responses	Overall Results by Percent
National (operations in one country only)	42.5%
Multinational (national/regional operations act independently of one another)	20.2
Global (high level of global integration)	37.4

Table 4

In what region are you personally located?	
Responses	Overall Results by Percent
USA	74.1%
Canada	17.7
Japan	2.1
Other Western Europe	2.1
Eastern Europe	.9
Middle East	.7
Scandinavia	.5
France	.4
United Kingdom	.4
Caribbean	.3
China	.2
Germany	.2
India	.2
Other Asia	.2
Mexico	.1
Oceania	.1
South America	.1
Central America	.0
Korea	.0

Table 5

In what sector does your organization operate?	
Responses	Overall Results by Percent
Other	16.2%
Manufacturing	12.1
Services	10.5
Financial services/banking	9.8
Pharma/biotech/medical device	7.6
Hospital/health care/insurance	7.3
Hi-tech/telecom	6.5
Government	6.0
Nonprofit	5.2
Energy/utilities	3.6
Education	3.2
Consumer goods	2.7
Entertainment/hospitality	2.0
Retail	1.9
Chemicals	1.7
Food Products	1.6
Mining/agriculture	1.2
Agriculture	1.0

Table 6

What is the size of your workforce?	
Responses	Overall Results by Percent
Under 100 employees	24.6%
100-499	23.4
500-999	9.5
1,000-3,499	12.6
3,500-4,999	5.5
5,000-9,999	6.6
10,000 or more	17.8

Table 7

In U.S. dollars, what is your organization's total revenue?	
Responses	Overall Results by Percent
Less than \$10 million	16.0%
\$10 to \$24.9 million	10.0
\$25 to \$49.9 million	8.9
\$50 to \$99.9 million	8.4
\$100 to \$249 million	9.6
\$250 to \$499 million	7.0
\$500 to \$999 million	6.7
\$1 to \$2.99 billion	10.6
\$3 to \$9.99 billion	10.0
\$10 billion or more	12.9

Table 8

When compared with the past five years, how would you rate your company's performance now?						
Responses	N/A	All-Time Low	Worse	Same	Better	All-Time High
Revenue growth	6.8%	1.8%	13.0%	17.1%	46.3%	15.0%
Market share	9.7	.6	8.5	25.1	46.1	10.0
Profitability	9.0	1.6	15.0	19.8	44.3	10.3
Customer satisfaction	2.8	.7	6.2	35.5	45.5	9.4

Culture Questions

Table 9

In your organization, to what extent are employees familiar with the following?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Code of conduct	59.1%	.40**	.10**
Organizational values	50.9	.56**	.16**
Organization structure	45.3	.46**	.05
Mission statement	40.1	.45**	.10**
Compensation system	35.3	.39**	.07**
Expectations of communication style	29.6	.57**	.12**
Business strategy	26.9	.56**	.19**

**p<.01

Table 10

To what extent do the following statements describe your organization's culture?		
Responses	Percentage Responding to a High or Very High Extent	Correlation with Market Performance Index
We have a cooperative culture	47.9%	.21**
Our corporate culture is aligned with our strategy	41.8	.24**
We have a culture that encourages innovation	39.4	.22**
We have a culture that encourages strategy execution	38.9	.21**
Our culture fosters trust	35.6	.21**
We have a culture that promotes quick responses to needed changes	34.3	.19**
Our corporate culture brings out the best performance in our employees	32.0	.27**
Decision-making authority exists at all levels, not just top management	29.2	.19**

**p<.01

Table 11

How long has your company maintained its current culture?			
Responses	Percentage	Correlation with Culture Index	Correlation with Market Performance Index
0 to 5 years	37.5%	-.03	-.03
6 to 10 years	23.8		
11 to 15 years	9.8		
16 to 20 years	5.6		
More than 20 years	23.3		

Table 12

To what extent do the following statements describe your organization's performance?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Overall, this organization is a good place to work	59.2%	.68**	.27**
Our company is successfully meeting its goals	44.8	.62**	.33**
We are operating at our potential	24.5	.63**	.29**

**p<.01

Table 13

To what extent does corporate culture help your organization achieve the following?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Encourage ethical behavior	69.3%	.55**	.16**
Comply with regulatory policies	66.2	.30**	.10**
Increase customer satisfaction	51.8	.61**	.26**
Boost resiliency in the face of challenging times	39.8	.65**	.23**
Increase workforce diversity	38.9	.46**	.09**
Retain high-performing employees	38.4	.67**	.23**
Improve productivity	38.2	.67**	.25**
Maximize return on investment	35.4	.61**	.36**
Increase satisfaction of employees	31.0	.72**	.25**
Build outsourcing relationships	30.4	.43**	.13**
Engage employees effectively	28.9	.73**	.22**
Increase global competencies	28.6	.39**	.22**
Decrease carbon footprint	19.9	.37**	.16**

**p<.01

Table 14

How would you rate the following management practices in your organization?			
Responses	Percentage Choosing Good or Very Good	Correlation with Culture Index	Correlation with Market Index
Employee training	39.6%	.45**	.11**
Rewards and recognition	35.7	.57**	.19**
Leadership development	32.2	.60**	.19**
Talent management	30.5	.65**	.18**
Feedback to leaders (e.g., assessment, surveys, focus groups)	30.4	.56**	.16**
Discipline process	29.5	.40**	.12**
Facilitation of change initiatives	27.0	.68**	.20**
HR information systems	26.2	.37**	.09**
Coaching	23.8	.56**	.15**
On-boarding	23.0	.37**	.15**
Teambuilding exercises	22.9	.56**	.16**
Succession planning	22.1	.51**	.18**
Selection programs	21.1	.42**	.12**

**p<.01

Table 15

To what extent do these organizational practices influence behaviors in your organization?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Behavior of leaders	60.6%	.41**	.11**
Communication from senior management	52.2	.47**	.14**
Key processes in the organization	44.4	.42**	.13**
Structure of the organization	43.5	.38**	.15**
Strategic direction of the company	43.4	.56**	.18**
Talent development	34.7	.53**	.18**
Performance measures	33.8	.47**	.19**
Talent recruitment	32.7	.49**	.16**

**p<.01

Table 16

How important is it that any outsource partner's culture is compatible to yours?			
Responses	Overall Responses by Percentage	Correlation with Culture Index	Correlation with Market Performance Index
Not at all	8.4%	.35**	.10**
Slightly important	12.1		
Moderately important	32.3		
Highly important	37.8		
Very highly important	9.5		

Table 17

To what extent does your organization use these practices for new hires?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Distribution of employee handbook	55.1%	.21**	.05
Structured interview process (i.e., all applicants asked the same questions)	45.2	.30**	-.02
Applicants given a realistic job preview before being hired	37.7	.42**	.13**
Mentoring program	17.1	.53**	.12**

** Indicates that the correlation is significant at the $p < .01$ level.

Table 18

Has your organization gone through a merger in the last five years?	
Responses	Results by Percent
Yes	26.1%
No	73.9

Table 19

To what extent was the merger successful in terms of creating a unified culture?			
Responses	Overall Responses by Percentage	Correlation with Culture Index	Correlation with Market Performance Index
Not at all	11.5%	.54**	.37**
Small extent	23.3		
Moderate extent	43.6		
High extent	18.5		
Very high extent	3.2		

** Indicates that the correlation is significant at the $p < .01$ level.

Table 20

To what extent were the following actions taken during the merger/acquisition?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
All changes were analyzed from the perspective of business needs	41.9%	.44**	.26**
Leaders who were champions of the new culture were promoted	35.0	.34**	.17**
Systems and processes that did not support the new culture were replaced	33.7	.40**	.22**
Leaders who didn't support the new culture were removed	32.8	.19**	.08
A proactive communication strategy was established	32.5	.58**	.24**
HR practices were aligned to the new culture	31.7	.42**	.16**
Dialogue sessions to work through difficult issues were established	28.5	.53**	.17**
Technology systems that talk to one another as quickly as possible were established	27.4	.44**	.19**
Teambuilding practices were used	17.9	.53**	.14**

** Indicates that the correlation is significant at the $p < .01$ level.

Table 21

To what extent do the following statements describe leadership styles (of VPs and C-level employees) in your organization?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
This organization rewards leaders who are task oriented	38.7%	.16**	.09**
This organization rewards leaders who are relationship oriented	33.7	.45**	.11**
Our leaders use an empowerment style to direct employees	32.5	.67**	.19**
Our leaders use a command-and-control style of directing	33.6	-.31**	-.07**

** Indicates that the correlation is significant at the p<.01 level.

Table 22

To what extent do the following statements describe all leaders' behavior in your organization?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
They are highly ethical	63.5%	.49**	.14**
They align work to organizational business needs	57.3	.61**	.21**
They celebrate successes	40.9	.56**	.14**
They model desired behaviors ("walk the talk")	40.5	.66**	.19**
They make sure programs support desired culture	35.3	.70**	.19**
They are strong communicators	31.9	.59**	.13**
They are emotionally self-aware	26.5	.59**	.15**
They are good listeners	25.5	.64**	.15**
They use rewards and recognition well	23.2	.61**	.19**

** Indicates that the correlation is significant at the p<.01 level.

Table 23

To what extent does your organization engage in the following activities?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Provides clear communication of values to all employees	47.8%	.56**	.18**
Provides communication technologies for workgroups in different locations	46.4	.32**	.11**
Provides training and development for employees who work remotely	34.4	.41**	.14**
Provides sufficient budget resources among team members from different locales for periodic face-to-face meetings	32.5	.38**	.15**
Provides career development for all employees	30.0	.52**	.15**
Provides succession planning that includes remote leaders	22.6	.45**	.19**
Provides leadership development that focuses on leading from a distance	18.7	.40**	.16**
Provides teambuilding opportunities designed for remote employees	16.3	.46**	.13**

** Indicates that the correlation is significant at the p<.01 level.

Table 24

Which of the following is the best description of your company's strategy?	
Responses	Results by Percent
Differentiation (seeking to make your products/services better than and unique from competitors)	53.8%
Niche (seeking to provide the best-performing product for a narrow target market)	22.6
Cost focus (seeking to develop a low-cost structure while focusing on a narrow target market)	23.7

Table 25

To what extent are the following statements true of your organization?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
It is hierarchical	53.1%	-.33**	-.05*
It is in a highly regulated industry	49.5	-.05	.03
Six Sigma principles are critical	13.5	.27**	.14**
It has a strong union presence	13.1	-.06**	-.09**
It is decentralized	20.0	.23**	.10**

* Indicates that the correlation is significant at the p<.05 level.
 ** Indicates that the correlation is significant at the p<.01 level.

Table 26

To what extent do the following factors influence your organization's culture today, and to what extent do you anticipate they will influence your culture in 10 years?			
Responses	Percentage Responding to a High or Very High Extent	Correlation with Culture Index	Correlation with Market Performance Index
Today:			
Changing demographics	31.6%	.19**	.05
Globalization	35.5	.10**	.20**
Current economic conditions	61.3	.09**	.02
Sustainability concerns	43.7	.15**	.05
The need to improve security	34.8	.09**	.06*
The work/life balance needs of the workforce	34.2	.37**	.07**
Talent shortages	43.3	.21**	.08**
In 10 Years:			
Changing demographics	60.3	.09**	.03
Globalization	55.6	.08**	.21**
Current economic conditions	69.4	.10**	.06*
Sustainability concerns	57.3	.07**	.04
The need to improve security	45.4	.06*	.06*
The work/life balance needs of the workforce	59.3	.24**	.07**
Talent shortages	66.2	.12**	.07**

* Indicates that the correlation is significant at the p<.05 level.

** Indicates that the correlation is significant at the p<.01 level.

Table 27

To what extent do the following factors influence your organization's culture today, and to what extent do you anticipate they will influence your culture in 10 years?		
Responses	Ranking	
	Today	In 10 Years
Current economic conditions	1	1
Sustainability concerns	2	5
Talent shortages	3	2
Globalization	4	6
The need to improve security	5	7
The work/life balance needs of the workforce	6	4
Changing demographics	7	3

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Authors and Contributors

Mark Vickers is the vice president of research at the Institute for Corporate Productivity. He has written and edited various institute articles and white papers, served as project manager on numerous research projects, and held the managing editor position at the Human Resource Institute (HRI). He is currently the editor of the Institute for Corporate Productivity's *TrendWatcher* publication. He has also authored and coauthored various periodical articles. He previously worked as a senior research analyst at HRI, where he focused on a range of social, demographic and workforce-related issues. Contact information: (727) 345-2226 or mark.vickers@i4cp.com.

Donna J. Dennis, Ph.D., is the Managing Partner of Leadership Solutions Consulting, LLC, a firm that specializes in leadership and group development as well as coaching and leadership training. Dr. Dennis holds a master's degree in education, a Ph.D. in human development, and certification in personality assessment and executive coaching. Contact information: (609) 497-1997 or donna@leadership-solutions.info.

Holly B. Tompson, Ph.D., is a senior research analyst at the Institute for Corporate Productivity. Holly has taught in the management departments of several universities, including the University of Waikato in Hamilton, New Zealand, and, most recently, the University of Tampa. Her research has focused on work-life balance and leadership development, with an emphasis on training high-potential employees to sustain maximum success without burnout. Holly is also active in the University of Tampa's Executive Education program, where she is currently a leadership and development coach. Contact information: (727) 345-2226 or holly.tompson@i4cp.com.

Anne Lindberg is a research analyst and Knowledge Center manager at the Institute for Corporate Productivity. She is responsible for a range of the Institute for Corporate Productivity's Knowledge Centers related to legal, compliance and healthcare issues, and she is the former manager for the Institute for Corporate Productivity's Corporate Culture Knowledge Center. Contact information: (727) 345-2226 or anne.lindberg@i4cp.com.

Randy Williams is managing director of Redmond, Williams & Associates, LLC, a firm that helps organizations establish risk mitigation, ethic, and change programs. Prior to RWA, she was with American Express for 24 years, where most recently she was the global corporate ombudsperson reporting to the CEO and Board. Previously, as SVP and Center Head, she ran major operating centers, including customer service, credit, and data processing in the U.S. and Europe. She also led an HR, Quality and Learning & Development team. Her published articles are on her website, www.redmondwilliamsassoc.com. Contact information: (793) 377-4937 or rwa2002@msn.com.

Other Contributors

Various staff members of the Institute for Corporate Productivity provided background research, writing, and other support for this report. Special thanks to Mary Key, the Institute for Corporate Productivity's Leadership pillar director, and Jay Jamrog, the Institute for Corporate Productivity's senior vice president of research for organizing the first steps and survey draft in this project. Many thanks to Greg Pernula, who worked on the survey implementation, to Ellen Serrano, who helped provide background research, to Donna Campbell and Judy Wall, who proofed the report, to Joe Jamrog, who created the graphs, and to Mindy Meisterlin, who helped with the tables.

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About This Report

This report is based on a survey that included 1,967 respondents, in-depth discussions among a team of researchers, and an extensive review of the business literature. Commissioned by American Management Association and conducted by the Institute for Corporate Productivity, this report:

- Takes a historical look at the literature on corporate culture
- Provides data on the state of corporate culture today
- Discusses the factors influencing corporate culture
- Explores the characteristics of state-of-the-art corporate cultures in the context of data from the study
- Provides a forecast describing what the state of corporate cultures may look like in the year 2018
- Provides a detailed look at the results from the AMA/Institute for Corporate Productivity Corporate Culture Survey 2008

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