

# WORKING P A P E R

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## Defining Corporate Culture

### How Social Scientists Define Culture, Values and Tradeoffs among Them

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## PREFACE

An effort to move beyond the rhetoric and firmly establish an understanding of corporate culture would greatly contribute to any attempts to describe, measure, or alter culture in a corporate setting. This paper is prepared as part of an ongoing project on "Corporate Cultures: Meaning and Measurement" under the LRN-RAND Center on Corporate Law, Ethics and Governance. While the project will eventually develop a framework through which it is possible to measure corporate culture, the first step was to develop a clear and concise definition of the frequently used and sometimes obscure concept of "culture" in various social science literatures. This literature review was conducted in an effort to clarify and improve understanding of this terminology.

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## **SUMMARY**

Corporate culture is a term that recurs frequently in both the literature and rhetoric dealing with management, governance, and regulation. The wide usage of the term assumes that it is well-defined and understood by all, yet this is not the case. This literature review was conducted in an effort to develop a clear and concise definition of the frequently used and sometimes obscure concept of "culture" in various social science literatures. The review documents a wide range of theories across social science disciplines about what constitutes culture and how it can be studied. As the study of culture in organizations has flourished over the past forty years, these general theories have been adopted and transformed to describe corporate culture. With so many general theories of culture and a lack of consensus among organizational researchers on the appropriate theoretical viewpoint to adopt, corporate culture researchers have been left to pick and choose whatever definitions of culture and values fit their purpose, whether or not the definitions are comprehensive or contradictory or well-defined. Rather than choosing a single definition of culture that is appropriate for all corporate culture research, it is likely that different definitions and theories about the study of culture are appropriate for different purposes. However, it is crucial that corporate culture researchers understand the importance of the relationship between how corporate culture is defined and the appropriate framework and methods for studying and/or measuring this culture.



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## 1. INTRODUCTION

Corporate culture is a term that recurs frequently in both the literature and rhetoric dealing with management, governance, and regulation. Examination of the various components of corporate culture and how this culture is related to profitability, ethicality, employee satisfaction and the like is common in organizational studies. Discussion of corporate culture as a factor in scandals like Enron and WorldCom and the attempts of Sarbanes-Oxley to influence corporate culture through regulations of organizational structure have brought the term national attention. The wide usage of the term assumes that it is well-defined and understood by all, yet this is not the case. It is unlikely that average citizens, or even corporate managers, fully understand and agree upon the meaning of corporate culture when organizational researchers have been studying the topic for more than 50 years and have failed to reach a consensus.

In the effort to more clearly understand the notion of corporate culture, it is informative to explore the more general idea of culture as it has been understood throughout the social sciences. Anthropologists and sociologists were the first to develop detailed theories on culture (in the late 19th century), and since that time examinations of culture have been undertaken throughout the other disciplines. There are significant differences between the ways culture is discussed in these various disciplines as well as the ways culture is discussed within a single discipline over time. In the first section of this paper, I contrast and compare the ways in which theorists from a particular perspective address values, the tradeoffs that take place among competing values, and how these value tradeoffs are related to behavior. In addition, I extend these theories to illustrate how they might suggest examination of culture in a corporate setting.

Having documented the wide range of perspectives on the general notion of culture, it is easier to understand the lack of consensus on the meaning of corporate culture. The second section of the paper discusses the contrasting perspectives on corporate culture in

organizational studies and management literature. I conclude with the lessons of this review for RAND and others attempting to study and measure the cultures of corporations.

## 2. METHODOLOGY

The information presented in this paper is the result of a theoretical literature review in the disciplines of sociology, anthropology, economics, political science, psychology, law, and organizational studies (including management and human resources literature). The review is not meant to be comprehensive, but was instead undertaken to get a sense of the general view of culture within each discipline and how these views have changed over time. Certain theories that were found to be prominent in a strand of literature are highlighted in this review. While some of the literature included in this review is primary, much of the information is drawn from secondary literature reviews on cultural theory.

### 3. EARLY CULTURAL THEORIES IN THE SOCIAL SCIENCES

#### CULTURAL STUDY IN EARLY ANTHROPOLOGY AND SOCIOLOGY

Social scientists have alluded to the notion of culture throughout history, but cultural study really came to prominence through 19th century anthropologists. This initial anthropological view of culture distinguished between primitive cultures and civilized Western cultures, with Western cultures viewed as the ideal to which less-civilized cultures should aspire (Morgan, 1877). Political scientists took a similar position, justifying imperialism through this perceived superiority of Western cultures (Lane, 1992). Echoes of this ethnocentrism can be found in the 20th century field studies of Boas and Malinowski (Hutnyk, 2006), while recent post-modern theories have attempted to rid anthropology of this perspective. In the corporate culture literature, this view of cultures progressing along a single continuum toward an "ideal culture" can be found in research on ethics (Logsdon and Yuthas, 1997).

However, it was sociologist Emile Durkheim (rather than an anthropologist) that was one of the first to develop extensive theories on culture. Influenced by Comte, Durkheim saw the principal problem of sociology to be how social solidarity is possible (Eckstein, 1996). He developed the important notion of the "conscience collective," a set of shared subjectivities that allow groups to act more cohesively (Eckstein, 1996). Durkheim (1964) writes of social structures that "the signs I use to express my thoughts; the system of currency I employ to pay my debts; the instruments of credit I use in my commercial relations; the practices followed in my profession etc. function independently of my use of them." Durkheim saw little room for human agency in adoption of the culture as individuals subscribe to the norms of interaction in entirety to ensure social solidarity (Lincoln and Gullett 2004).

Despite the influence of these early sociological ideas on current definitions of corporate culture, Durkheim did not believe that

organizations could have their separate cultures. He believed that deeper commonalities of membership are necessary for cultures to form (Lincoln and Guillot, 2004). Durkheim's theories suggest that corporate culture is best studied through the emergence of norms to facilitate interactions between employees rather than studying individuals making tradeoffs between particular values in daily corporate decision-making. Durkheim's theories placed great emphasis on the importance of ceremonies and rituals in developing and maintaining cultures, suggesting it's particularly important to focus on corporate rituals in study of organizational culture (Lincoln and Guillot, 2004).

The Durkheimian view of culture was relatively close to anthropologist E.B. Tylor's (1871) view of culture as the "complex whole which includes knowledge, belief, art, law, morals, custom, and any other capabilities and habits acquired by man as member of society" (quoted in Hutnyk, 2006). Early sociologists and anthropologists were in agreement that culture is entirely outside of the individual, an autonomous entity (Brinkman, 1999). Individuals may internalize culture, but, according to this view, individuals do not shape culture. Culture is viewed as greater than the sum of individuals' internalizations of it.

There were, however, some distinct differences between the sociological and anthropological studies of culture. Sociologists often focused on the tradeoff of values that generated similarities between Western cultures, while early anthropologists were more interested in field studies of unique (often non-western) cultures (Robertson, 1988). The ethnography of the latter typically focused on documenting the tradeoffs of lesser-known "foreign" values in these cultures, contrasting them against the presumed superior Western values (Hutnyk, 2006). In contrast to sociological studies, it was typically the resultant behaviors, customs, and ideas rather than the underlying values that were of focus in these studies.

Whereas sociologists tended to focus on social phenomena generating culture, anthropologists like Tylor focused on culture explaining social phenomena (Robertson, 1988). In studying corporate culture, early sociological theories suggest emphasis on the use of company gatherings

to enhance cohesion at work, while early anthropological theories might focus more on the greater organizational cohesiveness generating these social gatherings. This continuing and current debate on which comes first, culture or behavior, has persisted through cultural analyses. Hybridization of the debate has led researchers to propose theories that include a circular notion of culture, whereby culture shapes behavior and behavior shapes culture (Bhaskar, 1978; Hammel, 1990; Rambo, 1999).

Max Weber also viewed culture as a cohesion-building mechanism, but he saw it as a tool used to blind the masses to their oppression rather than something that spontaneously arises to facilitate social interaction (Lincoln and Guillot, 2004). One of Weber's most often cited works (1905) noted the role of Protestantism in the development of capitalism. Weber's theories suggest a study of corporate culture that focuses on the intentions of leaders in creating the culture under which employees would not be able to recognize their oppression. Under the Weberian framework, the values that become prominent in an organization would be those of greatest value to the people in power, whether or not these values foster social cohesiveness. The greatest contribution made by Weber to the study of culture is his focus on social actors needing to give meaning to their actions (Eckstein, 1996). This definition of culture as a meaning provider had great influence on cultural studies throughout the 20th century.

#### CULTURAL STUDY IN OTHER SOCIAL SCIENCES

While the study of culture was not as important in early economics as it was to early sociology and anthropology, many early economists did note the importance of culture in influencing economic history. John Stuart Mill and Adam Smith both noted the importance of individualism in accommodating the spread of industrialization (Throsby, 2001). Karl Marx (1887) insisted that the only possible reason for the continued acceptance of capitalism was the role of culture in blinding people to their oppression, a view that influenced Weber's theories of power. However, these early economists did not believe that culture had merit as an economic topic of study. While interested in the contribution of cultural values to the rise of corporations in general, they would not

have seen the study of value tradeoffs in individual corporations as meriting the extensive study it now receives in organizational studies. The only area of early economics that gave culture true prominence was industrial economics. Coming to maturity in the 1880s, Veblen and Commons viewed enculturation as the primary driver of behavioral regularities rather than similar the innate characteristics that are often dubbed human rationality (Mayhew, 1987). Yet it was not until the 20th century that industrial economists formed concrete theories on this issue.

Early political theorists also referred to culture in their writings, though without according it much emphasis. John Locke (1689) spoke about religious tolerance, David Hume (1742) discussed national character, and Isaiah Berlin (1978) wrote of value pluralism, in recognition of the role of culture in shaping political systems (Scott, 2003). However, culture did not become a primary topic of political science study until the middle of the 20th century.

#### STRUCTURALIST INFLUENCES ON EARLY CULTURAL STUDIES

As the 20th century progressed, anthropologists and sociologists increasingly came to view culture as a pattern of symbols. The initial strand of researchers in this area, led by Kroeber (1917), and including the later emergence of Levi-Strauss, Foucault, Bourdieu, and others associated with the structuralist movement, were more interested in simply describing patterns of behavior than understanding the underlying values that drive behavior or what relationship these patterns have to individual action (Hammel, 1990). An example of a structuralist study of corporate culture would include documentation of the matrix of corporate symbols including the code of ethics, corporate statements, explicit reward mechanisms, etc., without attempts to explain why the symbols arose and how they influence individual action. In contrast to utilitarian theories that were being developed around the same time, structuralists felt that collective constraints on behavior were more important to study than individual constraints. Structuralists did much to advance the effort to quantitatively measure corporate culture with their mathematically rigorous methods of comparative cultural analysis

that were distinct from any other anthropological strand of cultural analysis (Hammel, 1990).

#### INDIVIDUALISTIC INFLUENCES ON CULTURAL THEORY

While anthropologists and sociologists focused on structuralist theories of culture in the first half of the 20th century, neoclassical economics was coming to dominate economic thought. Neoclassical economics tends to downplay the role of the cultural environment in shaping behavior, presuming that behavior comes from rational utility-maximizing individuals with values that are basic to all humans and invariant across societies (Throsby, 2001; Fukayama, 2002). There had been two camps of economists, formalists, who saw self-interested choosing as the most important, and substantivists, who believed that the (cultural) context in which the behavior was taking place was most important. (Mayhew, 1987) To contrast these viewpoints in relation to corporate culture, formalist theories of corporate culture might have been more interested in why corporate employees make the decisions they make and behave as they do on a daily basis, while substantivist theories may have more closely examined the surrounding values and norms of corporate culture. With the rise of neoclassical economics, it is clear that the formalists had won out. Neoclassical economists avoided inclusion of culture as a dependent variable to explain behavior because it was difficult to measure and disentangle from other variables (Fukayama, 2002). With regard to research on the corporate world, these neoclassical economic theories imply it impossible to measure the true cultural effect on a corporation's financial success amidst the political context, market conditions, consumer preference changes, and so on. They also avoided attempts to describe culture and thus view it as an independent variable because many economists believed that the elements of culture were outside of the economic system, with norms and values being very difficult to capture through traditional economic markets (Throsby, 2001).

The treatment of culture by dominant Western psychology throughout the early 20th century was somewhat closer to the economic viewpoint than early sociological, anthropological, and political theories on

culture in that individuals were afforded a more active role in the construction and use of culture. While economists focused on the study of material factors, psychologists were more sensitive to the ideal, the realm of norms and values and the role these play in decision-making (Sil, 2000). Yet similar to the mainstream economic view of rationality, dominant Western psychology assumed through the early 20th century that mental processes were relatively homogeneous across individuals and disregards the way social and cultural practices interact with an individual's psychological world (Xu, 2002). In this "mainstream" psychological theory, cultural differences were often something to be overcome to demonstrate universality of psychological processes rather than something to be further explored (Gergen et al., 1996). Cultural psychology, a sub-discipline that views culture and mental processes as closely linked, was not developed in opposition to this universalistic Western theory until the 1960s.

While economists and psychologists didn't often discuss culture explicitly in the early 20th century, their individualistic theories permeated the social sciences, soon to have a significant impact on cultural theory. Rational choice theory, the central theory of neoclassical economics, argues that social phenomena can generally be reduced to the instrumental behavior of individuals who have an order of preferences and determine ideal strategies based on these preferences (Sil, 2000). The main criticism of the structuralist theories of the 19th and early 20th centuries and more recent culturalist theories is that the focus on collective motivations is too great when it is in fact individuals making individual decisions that should be of primary interest (Sil, 2000). Sociologists soon began to incorporate rational choice theory in their theories on many issues.

In studying corporate cultures, rational choice theory suggests a focus on the effect of corporate norms and values on individual preferences. Key value tradeoffs take place as the individual allows corporate culture to shape preferences. For instance, it has been argued that unethical corporate behavior stems from pressure put on individuals to make profit a high priority (Litowitz 2004). In relationship to corporate culture, rational choice theory may examine how the effect of

this "profit emphasis" on preference ordering leads to this unethical behavior. In contrast, structuralist theory might focus on the symbols that emerge from value tradeoffs implicit in social interaction. Structuralist study of corporate culture may prefer to document the reward systems that use bottom line measures, or company propaganda that emphasizes profit, but would not be as concerned with the ways in which these symbols actually shape preferences and subsequent behavior. The effect of individualistic economic and psychological theories on existing anthropological and sociological theories was significant. These theorists transitioned (around 1950) to a view of individuals as perceiving, interpreting, and constructing beings rather than passive pawns (Hammel, 1990). The tradeoff among values, previously an abstract phenomenon happening somewhere out in an autonomous cultural realm, began to be seen as taking place more and more in individuals. In reference to corporate culture, early social science theory may have focused on uncovering the "trust," "integrity," and other abstract values believed to characterize the culture, while the new more individualistic theories may have examined how the corporate culture, no matter the specifics of these abstract values, generates particular decisions and actions among individual employees. Some strands of cultural analysis even adopted the focus of economics on material goods in attempting to study culture. Cultural materialism argued that all cultures are adapted to and explicable through their material environment (Harris, 1968). Attempts to understand corporate culture by examining compensation systems might have been important under cultural materialism, as the theory would argue that the trade-off among values is fully displayed through the economic and other material procedures and institutions developed within a corporation.

#### 4. MODERN AND POST-MODERN THEORIES OF CULTURE

##### SOCIOLOGISTS AND ANTHROPOLOGISTS INCORPORATE INDIVIDUALIST VIEWPOINTS

The individualist influence on structuralism made way for a new strand of cultural theorists (sometimes labeled structural functionalists) who viewed culture as a guidance mechanism, a "rulebook" on how to behave in particular situations. Influenced by Weber's ideas about culture, these theorists often saw culture as the solution to what Luhmann (1984) termed the "double contingency problem", where situations must be given meaning before action is possible when there are so many different actions that can be taken (in Eckstein, 1996). Radcliffe-Brown (1952) and Malinowski (1962) viewed culture as a pattern of rights, duties, and social expectations that individuals use to recognize "correct behavior" in particular situations. While Radcliffe-Brown had more of a sociological approach and Malinowski used the more characteristically American psychological utilitarian approach, both allowed for only minimal human agency in applying the cultural patterns to behavior (Hammel, 1990).

In the study corporate culture, these theories might imply that once the values and norms of a corporation have been put into place (primarily through top-down diffusion), they are typically unchanging. Structural functionalist theories seem to argue that very few value tradeoffs are made at the individual level, and that tradeoffs are made early on constructing the rights, duties, and social expectations that make up the culture. Those studying corporate culture under these theories might rely on codes of ethics and other explicit and implicit expectations that various employees have for others in the corporation to assess its culture. These prescribed "appropriate" behaviors would be considered the useful things to measure (as opposed to the underlying values that characterized construction of ethical codes).

Talcott Parsons expanded the ideas of Radcliffe-Brown and Malinowski to develop his action-theories. He was seen as bridging Durkheim's "collective conscience" with Weber's "meaning and orientation

of the self" (Eckstein, 1996). Rather than seeing culture as a pattern of behaviors, Parsons (1937) saw culture as "patterns of values, ideas, and other symbolic-meaningful systems." While Parsons believed that these patterns of values were taken up in whole by individuals, he did allow for somewhat greater human agency in choosing appropriate behaviors as values conflict and tradeoffs are necessary (Hammel, 1990). According to Parsonian theory, a study of corporate culture might seek to identify a set of values that are internalized by employees such as respect, trust, and profitability, and then attempted understanding of how these values allow employees to ascribe meaning to certain actions. Those studying corporate culture according to Parsonian theory might find it more difficult to measure this culture through behavior because employees are assumed to interpret and apply these shared values in different ways.

From Parsons' action theories, some more current cultural theorists (in particular Archer) have linked culture to the idea of a "loosely knit toolkit." This conception of culture is distinct from Durkheim's culture because it is not an exterior constraining force and is distinct from Parsons' culture in that it is not stamped on individuals through socialization (Lincoln and Guillot, 2004). These "toolkit theorists" see culture as a set of rules and/or meanings which individuals selectively apply to particular situations, ascribing "payoffs" to particular behaviors (Burns and Dietz, 1992). More than any sociological/anthropological theories of the past, these theories allow for a large degree of human agency in deciding what part of the culture one adopts. The individualistic and utilitarian theories that pervaded the social sciences throughout the 20th century had certainly had an impact on cultural study in these disciplines.

An example of how corporate culture may be viewed under these toolkit theories is as a set of decision rules such as "when the work load reaches a particular level, it is appropriate to remain at work much later" or meanings such as "those admired in corporate lore were particularly dynamic, so it is clearly important to be dynamic." This view of culture is consistent with what are labeled "weak corporate cultures" in organizational literature, where managers have some power

in managing the culture but do not have the power to determine whether the entire cultural toolkit is adopted and operationalized. Under these theories, the tradeoff of values might be believed to take place at two different levels: first, as the corporation emphasizes particular values in compiling the decision norms and rules that make up the toolkit, and second, as individuals make choices as to which values from the toolkit they choose to apply in situations.

#### POST-MODERN THEORIES

While agency theories were somewhat of a transformation of classical and modern theories to allow for increasingly greater human agency, post-modern relativist theories represent a much more dramatic shift from early cultural theories. Previous theories of culture had viewed difference as an obstacle to be overcome, yet relativist theories embraced difference as that which allows for the "dialogue" between different subjective viewpoints that is culture (Fuchs, 2000). In examining corporate culture, relativist theory may focus on the way that "Employee 1" views life at the corporation, and how this differs from "Employee 2's" outlook, and how these different subjective viewpoints interact on a daily basis to color the culture of the corporation. Geertz, the foremost theorist under this particular ideology, sees culture as the expression of experience, as "text" that should be "read" to gain understanding of the subjective experience of individuals (Hammel, 1990). He argues that there is no objective culture out there to be studied, that culture is instead the whole of the numerous ways that individuals subjectively take up reality. His theories stand in contrast to Weber, who did note that some of the most elite intellectuals could resist taking up dominant culture, but argued that most took up the single dominant culture and were not capable of individual ideas (Fuchs, 2000).

While these post-modern cultural theories were developed primarily by anthropologists, they were adopted by groups of cultural theorists in each of the social science disciplines. The treatment of relativism varies somewhat by discipline, yet what is common to almost all post-modern theories is rejection of absolutes, saturation of discourse with

themes of power and domination, and celebration of difference (Morgan, 2003). Relativists argue against any notion of "good" or "moral" values, concluding that normativity and norms are nothing more than camouflaged power (Sayer).

Another major creation of Geertz was the notion of hermeneutics, which argued that cultural researchers could never objectively study a culture because the researcher's culture interacts with the subject's culture resulting in analysis that reflects both cultures. He argued that culture can only be examined in the language of and through the eyes of those who are a part of it (Hutnyk, 2006). This area of relativist theory implies it would be impossible to make quantitative comparisons of corporate cultures. Much like the first anthropologists, relativists are more comfortable with in-depth case studies/field work, but would also insist that the research be done in the language of the people and through the viewpoint of the people in the corporation. Relativism asserts that we cannot understand what value tradeoffs are being made without understanding the context in which the tradeoff took place. In relation to corporate culture, relativist theory might argue that the choice to forgo profits to improve customer relations can define the culture of the corporation very differently depending on how the actors involved thought about (and would speak about) the tradeoff that was made.

An adaptation of rational choice theory is somewhat related to Geertz's "culture as text." Traditional rational choice theory has gone to great lengths to avoid culture in focusing primarily on the objective superiority of revealed choice (Rambo, 1999). But the cultural adaptation of rational choice theory says that interests/preferences are not given, but that they are instead meaningful. Interests are a reading of the particular situation as created by others' actions (Rambo, 1999). Actions are constantly changing in the "dialogue" of rationality that is reshaping interests and generating reformulations of which values should be traded off against others. In the corporate setting, this theory implies that the actions of coworkers have a significant influence on the preferences of employees.

#### CULTURAL THEORIES IN POLITICAL SCIENCE

Cultural study in political science adopted many of its notions of culture from the anthropological and sociological theories, following the path towards more individualistic theories as time progressed. Studying under Charles Merriam, a professor at the University of Chicago who was credited with the creation of "political culture of democracy," Gabriel Almond is considered by many to have launched the sub-discipline of political culture. Almond's initial writings (1956) noted the importance of the sociological tradition, with a focus on political systems like "pre-industrial" and "totalitarian." Yet by 1963 he and Verba had transitioned to a more psychological and utilitarian view (as had many sociologists and anthropologists), using social surveys across five countries to write *The Civic Culture* (Lane, 1992). In these initial years he maintained a view of cultures as homogeneous and unchanging and typically had a bias toward studying democracies, much the same way early sociologists had been focused on Western cultures (Lane, 1992). By 1965 the mainstream conception of political culture had transformed to something heterogeneous and subject to constant change, yet continued to be seen as external values and beliefs used to achieve goals (Lane, 1992).

Almond did not focus on human agency in the adoption of these values and beliefs, but instead argued that individuals play a role in the construction of culture through decision-making that reinforces, modifies, or rejects existing power structures (Lane, 1992). An example of how these political theories could be extended to corporate culture would be to place emphasis on the goals shared by the corporation and individual and focus on the ways in which culture developed to ensure that these goals are met. The value tradeoffs that take place in an organization would heavily favor those values that are in line with both corporate and personal goals according to these political culture theories.

One of the more developed theories on political culture is grid group theory. Grid-group theorists view culture as beliefs and values that come from experience and typically focus on early childhood experiences as the most influential in the construction of culture

(Lockhart, 1999). These experiences lead to individuals being orientated along two basic social dimensions: legitimacy of external perception (grid) and strength of affiliation with others (group) (Lockhart, 1999). While typically political culture is seen as a rival to rational choice theory (which assumes our preferences are given), grid group theorists offer an explanation of them as complementary processes (Lincoln and Guillot, 2004). Early childhood experiences, and to a lesser degree, experiences throughout life orient an individual on this grid-group mapping. This orientation results in particular preferences that guide rational decision making. A study of corporate culture according to grid group theory may focus on the early adoption of culture in trainees and argue that corporate culture is relatively unchanging after these initial development stages. The use of grid-type analyses to categorize corporate cultures has also become common in the corporate culture literature (Ouchi, 1980; Shortell et. al., 2000).

#### CULTURAL THEORIES IN ECONOMICS

In large part, the resistance of neoclassical economists to discuss culture as an independent or dependent variable has persisted through the current day. As a result, economic cultural studies are far less frequent than in other social science disciplines. One topic that has seen a fair amount of economic attention is the valuation of cultural artifacts (Throsby, 2001). These economists attempt to determine whether the cultural value of these objects is being fully captured in the market price. Yet these studies have little to say on measuring and describing cultures themselves.

There has been some recent economic research on the importance of incentives in creating cultures. Rob and Zemesky (2000) discuss the importance of incentives in driving individuals within an organization to act cooperatively or individually. They argue that these incentives can have a strong influence on the resulting corporate culture. What is interesting about this analysis is that it breaks from the traditional utilitarian framework where culture is demanded by individuals. Here, what is demanded is incentives (which the authors do not consider culture), and individuals actually supply the culture through their

behavioral norms that arise. On the other hand, it can be argued that these incentives are indicative of underlying culture as well. Political theorists, for example, would argue that these incentives were put into place as culture led to particular decision-making that reinforced or modified a particular incentive structure (where decision-making in a corporation is voting with one's application for employment and tenure).

#### CULTURAL THEORIES IN PSYCHOLOGY

The study of cultural psychology viewed culture in a strikingly similar way to the structural-functionalist and "toolkit" theories. However, most of these non-psychological theories assume that cultures (as systems of meanings) are simply taken into the individual psyche in totality, and when room is left for human agency, it is only through the application of these decision rules and/or value sets that individuals make unique choices. Cultural psychologists, and in particular cognitive scientists, are much less likely to assume "automatic absorption" of norms and values and are extremely interested in the processes by which representations are taken up (Atran, 2005). Whereas anthropologists/sociologists looked at value tradeoffs as taking place either outside of the individual, before culture is "absorbed" (structuralists), or inside the individual, after culture is "adopted" in its entirety (toolkit theorists), psychologists focus on the role of individual psychological constraints in determining which aspects of the culture are taken up. In studying corporate culture, recent cultural psychology might place emphasis on the ways in which the prescribed corporate values are or are not taken up rather than how they are applied through actions. A cultural psychology corporate study might be interested in questions like "How do you perceive the day to day actions of your supervisors?"

The psychological notion of culture as memory is similar to but distinct from the anthropological/sociological notion of culture as the provider of meaning so that action is possible. Both focus on the role of culture in applying past experience to facilitate decision-making, but psychologists see culture as a necessity to replace the breakdown of

certainties and traditions that came with modernity rather than simply making action possible. They argue that we have a human psychological need to locate ourselves in time and history, and that the narrative aspects of culture are as important as the normative role of norms and values (Brockmeier, 2002). In a study of corporate culture, these "cultural as memory" theories imply that it is as important to focus on narrative aspects of the culture, such as stories of "company heroes" and company histories, as it is to focus on a code of ethics or any of the other normative cultural elements. This narrative aspect of corporate culture could be seen to give employees a sense of belonging in the "cold corporate world."

An alternate psychological view of value tradeoffs is that there are three different parts of the self - private, public, and social. In any situation one samples these various aspects of the self at different frequencies (Triandis, 1989). In a corporate culture study under this view, a person could take up the prescribed corporate culture in its entirety, yet behavior may be inconsistent with these corporate values as the individual draws from the private self rather than the public and social selves that are more significantly shaped by corporate culture. The study could not simply assume individual workplace behavior as indicative of corporate culture, as the self that is sampled is assumed critical in deducing whether the resultant behavior is indicative of corporate culture.

#### CULTURAL THEORIES IN LEGAL STUDIES

There is next to nothing in legal studies on general culture, yet there has been a fair amount of recent literature on corporate culture in response to the recent legal scandals of companies like Enron and WorldCom. The primary legal focus on corporate culture does not distinguish between good and bad corporate cultures but instead argues that the structure of the corporate entity has generated a focus on profits at the expense of all other potential corporate values. This viewpoint was solidified in Milton Friedman's famous remark (1970) that "a corporation's sole public responsibility is the maximization of profits," as well as two early court cases that highlighted the duty of

corporations to focus on profits (Litowitz, 2004; Lee, 2005). Legal theorists primarily focus on the incentives facing managers and the reality that profit maximization is of primary importance (Lee, 2005). This view of the structure of corporations as generating unethical profit-seeking had a clear influence on the Sarbanes-Oxley Act. The Act primarily served to delineate structural adjustments to America's corporations that would make managers less liable to participate in unethical behavior.

Another line of legal theory questions the assertion that corporate cultures encourage abandonment of other values in the pursuit of profit. These theorists point to the many corporations that do sacrifice profits for other corporate values, and argue that it is particular structures within some corporations rather than the corporate structure that lead to unethical and unlawful behavior (Litowitz, 2004). Examples of these structures that generate "bad corporate cultures" are separation of managers from other workers (hierarchy) and excessive division of work that creates distance between actions and the consequences of those actions (Wines, 2004). Some argue that conflicts between perceived values by management and the ones actually at work in an organization bring rise to ethical issues (Wines, 2004). This may arise in large part from incentive systems that reward values that conflict with management's stated "corporate values" (Wines, 2004). The structural elements that generate unethical corporate cultures are typically argued to be more prevalent in large organizations (Litowitz, 2004).

In general, legal scholars typically talk about structural solutions to changing culture and ignore human agency (Nesteruk, 2005 95). Most disagree with the assertion that a few "bad apples" were responsible for recent corporate scandals (Litowitz, 2004 813). This "bad apple" viewpoint could be argued to arise from a weak corporate culture to which one chooses not to subscribe, allowing a great degree of human agency in the adoption of culture. Legal theory that focuses on structural solutions would likely argue that corporate structure forces otherwise ethical individuals to make certain value tradeoffs, often resulting in unethical behavior.

## 5. ORGANIZATIONAL STUDIES AND THE NOTION OF CORPORATE CULTURE

Organizational studies had its roots in organizational psychology in the early 1960s. The influence of psychology resulted in a view of organizations primarily through a focus on individual, with only lip service paid to the sociologist's view of organizations (Schein, 1996). However, Edgar Schein, one of the most renowned researchers in organizational studies, demanded that his new department at MIT be called "organizational studies" rather than organizational psychology because he insisted on a multi-disciplinary view. Organizational studies remained individual-focused throughout the 1970s despite intentions to take more consideration for the role of the collectivity (Schein, 1996).

The concept of corporate or organizational culture burst onto the organizational studies scene in the early 1980s, acting somewhat as a postmodern reaction to the individualistic dominance of organizational studies to that point (Dennison, 1996). The initial view of corporate culture focused on the uniqueness and non-generalizability of cultural elements, with an interest in understanding how individual meanings are communicated through them (Dennison, 1996). The influence of Geertz and hermeneutics is clear in these early notions of corporate culture. These early studies of corporate culture often took the form of qualitative ethnographic studies.

Schein's view of culture, more than any other view, was widely adopted by researchers in and out of organizational studies. He defines corporate culture (1992) as

...a pattern of shared basic assumptions that the [organization] learned as it solved its problems of external adaptation and internal integration...taught to new members as the correct way to perceive, think, and feel in relation to those problems. (Young, 2000)

It is clear that corporate culture was initially seen through a collective lens rather than the individualistic tradition of organizational studies. Schein's definition draws heavily from Durkheim's conception of a collective conscience, or way of perceiving, that allows for greater social cohesion. However, the influence of psychology is also exhibited in the reference to learning. Institutional theory also plays a role in the definition through its recognition that external forces also shape corporate culture (Hinings et. al, 1996) A major element of Schein's view of culture was his emphasis on culture's multiple levels. While he viewed underlying assumptions as actual culture, he acknowledged the importance of values which develop from these assumptions and artifacts which are manifestations of assumptions, including rituals, stories, and symbols (Young, 2000).

While the explosion of interest in corporate culture did not occur until the early 1980s, lesser-known studies on organizational climate had been undertaken since the beginning of organizational studies as a discipline. The notion of climate was much more in line with the individualistic thinking that characterized early organizational studies. Based on Lewin (1951), climate studies viewed the individual as entirely separate from the environment, with climate as the way the environment is experienced by actors (placing focus on the demand for culture) (in Dennison, 1996). Culture studies were well-suited for examining the changing of culture over time by evaluating underlying assumptions, while climate studies tended to examine a single snapshot of an organization and were better suited to generalizations that were based on examining behavior (or structures) as indicative of these assumptions (Dennison, 1996).

The culture camp began to face difficulties relatively early in its existence because of a failure to establish a defined research agenda or paradigm (Dennison, 1996). To remedy this, the quantitative methods used in climate studies to contrast and compare cultures, as well as the more individualistic character of these studies began to be adopted by those in the culture camp (Dennison, 1996). It became clear that culture and climate were not distinct phenomena as was

traditionally believed, but were instead two different ways of viewing a single phenomenon (Dennison, 1996). While early climate studies had adopted their notion of climate from rational choice theory and the individualistic orientations of economics and psychology, early culture studies drew from the more collectively oriented disciplines and theories including anthropology and sociology. The recent corporate culture literature is a synthesis of the two, acknowledging the importance of the collectivity as something greater than the sum of individuals while often examining the individual adoption of culture as important (Hatch, 2004; Liedtka, 1989; Sorensen, 2002).

Unfortunately, it is not the case that these two competing viewpoints within organizational studies came together in the middle to create a multi-faceted, comprehensive notion of corporate culture. Instead, because it has been acknowledged that both orientations toward culture have credence and because the various disciplines have cross-pollinated each other to such a great degree, corporate culture researchers have been left to pick and choose whatever definitions of culture and values fit their purpose, whether or not the definitions are comprehensive or contradictory or well-defined.

An example of the sometimes schizophrenic efforts of corporate culture studies to pin down the actual meaning of culture is Gordon's (1991) acknowledgement that there are many different schools of thought about culture, from which he chooses two that seem to contradict each other. He adopts a view of culture as "a system of knowledge, of standards for perceiving, believing, evaluating and acting" alongside his definition of culture as "a system of socially transmitted behavior patterns." The first definition is drawn from a variety of influences, from psychology to the action theories of structural functionalism to toolkit theories, while the second is a clear antecedent of structuralism. Depending on the paper, culture can be defined as a "network of shared meanings" (Hinings et. al, 1996), the "group's effort to cope and learn, the residue of the learning process" (Sorensen, 2002), or a "source of valuations that allow for evaluation of various solutions to problems" (Argadona, 2003).

The lack of a clearly agreed upon definition of culture is not unique to organizational studies, as the management, human resources, and business ethics literatures have been similarly varied in their orientations to the notion of culture. A literature review of human resources literature finds that corporate culture is defined as shared values, assumptions, and behaviors (from Durkheim and the structuralists), the context of dominance (reminiscent of Weber), business orientation (from institutional theory), force of diverse responses (like postmodernism and hermeneutics), learning culture (based in psychology), and humane culture (philosophy) (Plakhotnik and Rocco, 2006). Depending on the goal of the researcher, whether it be to teach managers how to ensure ethical employees or to describe the great range of diversity across a single organization or to compare many different organizations, he or she will pick and choose from the hundreds of views of culture to describe it in a way that makes their argument persuasive and their research methods suitable.

This is not to say that organizational studies and related disciplines have not contributed to the understanding of culture. These disciplines did much to acknowledge the powerful role of subcultures in strengthening, contradicting, or making irrelevant the role of the overall culture. As Durkheim (1893) had investigated the difficulties that division of labor presents for the cohesiveness of a society, organizational researchers extended his theories and the theories of other general culture theorists to develop significant research on the competition between subcultures and the dominant culture within an organization, distinguishing between "strong" and "weak" organizational cultures (in Lincoln & Guillot, 2004).

Another important contribution has been the focus on a relationship between culture and organizational structure, including monetary or non-monetary reward systems, performance evaluation systems, and decision-making rights and responsibilities. The relationship between culture and structure is viewed as cyclical, where culture promotes the creation of certain structures which then reinforce or strike down certain values (Hinings et. al, 1996). The corporate culture literature acknowledges these structures as a mediator between the values of the collectivity

and the actions of the individual, something that general cultural theory has long struggled with. However, despite these contributions, a consensus in the literature is unlikely to be reached on the definitions of culture and values and an understanding of how and where tradeoffs between values take place.

## 6. CONCLUSION

It is clear that the definitions of culture and corporate culture are varied and often conflicting, with no real consensus on what is meant by these terms. The major theoretical viewpoints on culture are summarized in table 1. Theories on corporate culture are clear derivatives of these general cultural theories. However, our efforts to measure corporate culture require a clear and coherent framework through which a corporation's culture can be defined. The possibility of developing this framework is not as hopeless as the broad collection of cultural theories explored in this paper suggest. The fact that culture in a corporation may be markedly different from culture in a society enhances this possibility. Corporations are entities designed to achieve specific purposes, making the possibility of discovering underlying values much greater. Goals that are not explicitly stated are likely to be revealed through the performance evaluation systems, as well as any other organizational or procedural rules established by the corporation.

This literature review provides an important lesson for RAND and others intending to study and/or measure corporate culture. Just as there is no single way to define corporate culture and no single theory on what culture is, how it comes into existence, or how it should be studied, it is unlikely that there is one "ideal" framework through which every researcher should define corporate culture and attempt its measurement. The appropriate framework for measuring culture depends largely on the project's definition of corporate culture. This definition in many ways defines what needs to be measured and the appropriate methods for measurement, as well as the potential uses of these measures.

The tendency of some organizational culture research has been to avoid providing a concrete definition. It is critical, however, that any project purporting to measure corporate culture first provide this definition. Understanding the general cultural theories from which the

chosen definition is derived and focusing on organizational studies that define the terminology similarly are also useful in developing a framework that accurately reflects and measures this notion of corporate culture. Corporate culture is a broad, multifaceted concept that can be defined and measured in many different ways, and without first arriving upon a clear and concise definition of corporate culture, efforts to measure culture will do little to clarify our overall understanding of corporate culture and our knowledge about why this culture is important.

**Appendix**

**A. BRIEF DESCRIPTIONS OF MAJOR CULTURAL THEORIES**

<b>Theoretical Perspective/Theorist</b>	<b>Definition of Culture</b>	<b>How/Where Value Tradeoffs Occur</b>	<b>View Of Corporate Culture</b>
Early Anthropologists (E.B. Tylor)	A similar set of behaviors, customs, and ideas among a group.	As a society progresses along a single value spectrum, it begins to trade off "inferior" primitive values for "superior" Western values.	Because of the close interactions of employees, commonalities in behavior and ideas result. There are "good" cultures and "bad" cultures.
Durkheim	A set of shared subjectivities to allow groups to act more cohesively.	In some autonomous cultural realm completely outside of the individual.	Most important to examine norms, ceremonies, rituals and symbols that facilitate cohesiveness.
Weber	A set of values and norms that allow for oppression of the masses.	Those in power decide what values are important and force them onto the masses.	Corporate managers and owners create a corporate culture that will serve their interests and diminish the power of employees.
Structuralism	A pattern of symbols.	Not viewed as important. The symbols that result from value tradeoffs are the only subject of interest.	The matrix of corporate structures and symbols (code of ethics, compensation system) should be measured without regard to how they arose or how they affect behavior.
Rational Choice Theory	One of many things that shape individual preferences.	Individuals allow cultural values to shape their preferences to a particular degree, and these preferences lead to specific choices/behaviors.	Important to view how values within a corporation's culture affect the behavior of individual employees.

Structural Functionalism	The provider of meaning to situations so that action is possible.	Pattern of rights, duties, and social expectations (early SFs) or values and ideas (action theorists) that emerge and are fully internalized by individuals to facilitate action.	Important to examine the norms and values that emerge in the corporation to provide employees with the meaning necessary to take action.
Toolkit Theories	A set of decision rules that prescribe appropriate behaviors in a situation.	First tradeoffs take place at a higher level as a group's "toolkit" is developed, and then individuals must make tradeoffs as they use this toolkit to choose appropriate behaviors.	Examining the set of decision rules established within the corporation and how they are used by employees is important.
Post Modernism/ Relativism	A subjective viewpoint; an expression of how one experiences life.	The tradeoffs made by individuals are an expression of their subjective viewpoints, a dialogue with the subjectivities of others.	There is no overall corporate culture. Each individual has a unique culture/ subjectivity that may be colored by the corporation as one of the individual's environments.
Political Culture	External values and beliefs used to achieve particular goals.	Culture leads to decision-making that reinforces, modifies, or rejects power structures that then affect culture.	It is important to examine goals common to decision-makers and those in power and the ways in which culture is constructed to facilitate these goals.
Cultural Psychology	Provider of meaning to make action possible; provider of narrative to give reference in time.	Culture develops in autonomous cultural realm and is absorbed by individuals in distinct ways depending on psychological constraints.	Understanding how individuals internalize and interpret cultural values differently is key. Also focus on the use of culture (such as company stories) to give oneself grounding in a society of increasingly impersonal modernity.

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