Bertelsmann Stiftung (ed.)

Assessment, Evaluation, Improvement: Success through Corporate Culture
Assessment, Evaluation, Improvement: Success through Corporate Culture

Sonja A. Sackmann
# Table of Contents

Figures and Tables ................................................................. 7

To the Reader ........................................................................... 9

Preface ..................................................................................... 11

1. Introduction ........................................................................ 14

2. Culture and Performance .................................................. 16

3. Diversity in the Conceptualization and Assessment of Culture in Organizations ................................................. 22

4. Overview of Existing Assessment Approaches ..................... 30


   5.1 Survey Instruments .......................................................... 35

      5.1.1 Surveys with a Focus on Single Components of Culture ... 36

      5.1.1.1 Organizational Practices Questionnaire .................. 36

      5.1.1.2 Organizational Culture Profile ................................. 40

      5.1.1.3 Organizational Culture Inventory ............................ 43

      5.1.1.4 Organizational Norms Opinionnaire ....................... 47

      5.1.1.5 Organizational Culture Profile ................................. 50

      5.1.1.6 Denison Organizational Culture Survey .................. 54

      5.1.1.7 Culture Types ..................................................... 62

      5.1.1.8 Organizational Values Questionnaire ..................... 66

      5.1.1.9 Organizational Ideologies ..................................... 69

      5.1.2 Surveys with a Focus on Several Components of Culture ... 71

      5.1.2.1 OASIS Culture Questionnaire ................................. 72

      5.1.2.2 Organizational Culture Questionnaire ..................... 76
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1.2.3 Organizational Culture Survey</td>
<td>80</td>
</tr>
<tr>
<td>5.1.2.4 Unterreitmeier &amp; Schwinghammer</td>
<td>84</td>
</tr>
<tr>
<td>5.2 Inductive Approaches</td>
<td>87</td>
</tr>
<tr>
<td>5.2.1 Organizational Narrative Approaches</td>
<td>87</td>
</tr>
<tr>
<td>5.2.2 Assumptional Analysis</td>
<td>90</td>
</tr>
<tr>
<td>5.2.3 Bourgeois &amp; Jemison</td>
<td>93</td>
</tr>
<tr>
<td>5.2.4 The Repertory Grid Technique</td>
<td>96</td>
</tr>
<tr>
<td>5.2.5 Concept Mapping/Pattern Matching</td>
<td>99</td>
</tr>
<tr>
<td>6. Assessing Corporate Culture: Multiple-Method Approaches</td>
<td>105</td>
</tr>
<tr>
<td>6.1 The approach of the Bertelsmann Stiftung</td>
<td>105</td>
</tr>
<tr>
<td>6.2 Culture Orientations</td>
<td>109</td>
</tr>
<tr>
<td>6.3 Value Culture and Corporate Performance</td>
<td>113</td>
</tr>
<tr>
<td>6.4 WerteManagementSystem\textsuperscript{ZfW}</td>
<td>117</td>
</tr>
<tr>
<td>6.5 Culture Assessment</td>
<td>119</td>
</tr>
<tr>
<td>6.6 Schein's approach to culture analysis</td>
<td>122</td>
</tr>
<tr>
<td>6.7 Ethnography</td>
<td>126</td>
</tr>
<tr>
<td>7. Evaluation</td>
<td>129</td>
</tr>
<tr>
<td>8. Recommendations</td>
<td>147</td>
</tr>
<tr>
<td>References</td>
<td>154</td>
</tr>
<tr>
<td>Websites</td>
<td>165</td>
</tr>
<tr>
<td>The Author</td>
<td>166</td>
</tr>
<tr>
<td>The Bertelsmann Stiftung</td>
<td>167</td>
</tr>
</tbody>
</table>
Figures and Tables

Figure 1: Dimensions and culture types
(adopted from Sackmann 2002/2004: 45) .......................... 28
Figure 2a: Methods for assessing corporate culture (1) .............. 32
Figure 2b: Methods for assessing corporate culture (2) .............. 33
Figure 3: Manifestations of culture on different levels
(adopted from Hofstede et al. 1990: 291) ................ 37
Figure 4: The organizational culture inventory circumplex
Figure 5: The Denison Model: linking culture to performance
(Denison 2000: www.denisonculture.com) ...................... 55
Figure 6: Understanding your results (Denison 2000/2004) .......... 57
Figure 7: Understanding your line item results
(Denison 2000/2004) .............................................. 58
Figure 8: Culture and performance: returns on shareholder's equity
(Denison 2000: www.denisonculture.com) ...................... 59
Figure 9: The four culture types (Cameron and Freeman 1991) .... 63
Figure 10: PIMS framework and OASIS: The human resources and corporate culture model (Malik MZSG, May 24, 2005) .... 72
Figure 11: Key to measuring internal perception of culture
(Malik MZSG, May 24, 2005) ................................. 74
Figure 12: HR factors impacting business performance
(Malik MZSG, May 24, 2005) ................................. 75
Figure 13: Framing parameters and practice/process dimensions of organizational culture
(adopted from Sackmann 2002/2004: 143) ...................... 78
Figure 14: Results presentation of the Repertory Grid Technique
(Krafft 2005) .................................................... 98
Figure 15a: Cultural pattern matches in a courier company
(9-cluster solution) ............................................ 102
Figure 15b: Employee ratings in a courier company on “what is typical?” .................................... 102
Figure 15c: Examples of a pattern match graph (Burchell and Kolb 2003) .................................. 103
Figure 16: The 10 criteria of corporate culture and leadership for corporate success (adopted from the Bertelsmann Stiftung 2003: 9) .......... 106
Figure 17: The Carl Bertelsmann Prize method (CBPM) (Booz Allen Hamilton 2005: 3) .................. 107
Figure 18: Results of a culture assessment (adopted from Booz Allen Hamilton 2003) ................. 108
Figure 19: A comparison of current and strategy-consistent culture (Kobi and Wüthrich 1986) ........ 112
Figure 20: System-specific culture assessment with problem-focused areas for change (adopted from Sackmann 2002/2004: 151) .......... 120
Figure 21: The levels model of culture (Schein 1995: 17) ................ 123

Table 1: Overview of conceptualizations of culture in organizations ........................................ 23
Table 2: Three different perspectives of culture in organizations (adopted from Sackmann 1990: 137) ........ 23
Table 3: The 10 dimensions of the organizational culture profile (Ashkanasy et al. 2000: 141) ............. 41
Table 4: Dimensions of culture (McKinnon et al. 2003) .......... 52
Table 5: Culture types and their defining characteristics .......... 63
Table 6: 15 summary dimensions of organizational culture (Van der Post 1997) ......................... 81
Table 7: Assumption matrix (Kilmann 1983: 6) ............... 91
Table 8: Values with a positive impact on organizational performance .......................... 115
Table 9: Values with a negative impact on organizational performance .......................... 115
Table 10: A summary of dimensions, culture types or styles .......... 131
Table 11: Overview of the use of methods depending on the interest, including strengths and weaknesses .................. 148

All graphics printed by kind permission of the authors.
Corporate culture and leadership as success factors were at the forefront of the 2003 Carl Bertelsmann Prize. Not least due to globalization, the related internationalization and increased competition, the question of whether, and to what extent, the corporate culture and economic success of a business are related has a greater importance than before and is still in the interest of corporate leaders. Even companies that belong to the most successful worldwide in their respective industries and leave no doubt that they consider their specific culture as it is lived in, and supported by, the company relevant for their success, are moved by the question of how this corporate culture as a success factor and leadership instrument of the future can be correlated with performance parameters. And which consequences can result from such an assessment?

The “International Network Corporate Culture,” founded as a follow-up to the 2003 Carl Bertelsmann Prize by ten multinational Europe-based companies, dedicated its first working phase to this context. While the network dealt with the link between corporate culture and success, the Bertelsmann Stiftung commissioned a study to investigate existing international models that assess this link with a view to their practicability, relevance, and set of criteria. The aim of the study, produced by Professor Dr. Sonja A. Sackmann, a professor at the University of the Federal Armed Forces in Munich, was to assemble the best practice models. Major questions were these: How broadly do they define the term “corporate culture?” and how relevant are they in practical terms? The pivotal point for understanding corporate culture was the ten-dimensional model defined by the Bertelsmann Stiftung for the Carl Bertelsmann Prize.

One of the most important results of the study was the insight that a direct connection between corporate culture and success can be established with the surveyed models. Yet only a few practically relevant and operable models exist for companies to apply. Any kind of assessment requires that the aim be defined in advance. Determining the corresponding criteria is also
of utmost relevance for the practicability and usability. Professor Sackmann’s study provides an introduction to the topic, a brief overview over the current state of research, and a detailed survey of 25 models and instruments to assess the link between corporate culture and success with a view to the respective framework conditions and their relevance for a company. The study concludes with considerations on how to apply the instruments in a meaningful and useful manner.

Grateful acknowledgments are hereby made to the members of the “International Network Corporate Culture” for the many constructive contributions they made, based on the entrepreneurial experiences that led to this study; and to the project team at the Bertelsmann Stiftung. In particular, I express my gratitude to Professor Sackmann for her meticulous analysis and for the valuable impulses with which the work of the “International Network Corporate Culture” was enriched beyond her written contribution.

Liz Mohn

Vice President of the Executive Board and
Member of the Board of Trustees of the
Bertelsmann Stiftung, Gütersloh
That a company's specific culture can contribute to its economic success has become a well-known maxim. Moreover, a number of academic surveys show which factors (and in which specification) are especially relevant for success. A great number of companies that achieve sustained success are proof of the link. Just as many other companies spectacularly fail because they underestimate or even neglect the interdependence between culture and success.

Investment into corporate culture is “worth it,” say those who have already successfully made such investments and would like to promote them further in the future. Yet such investments are usually connected with costs, be it HR development measures or expenses for work-life balance measures, be it that concepts of financial participation of employees are introduced or intensified, be it information campaigns to promote transparency within or outside, be it complex customer or investor relations programs, be it commitment to non-profit projects to realize the social responsibility of the company.

Yet what tangible revenues, ideally visible on the balance sheet, are opposed to these costs? To what extent can the impact of “soft” factors, such as participative management, customer and shareholder orientation, continuity of leadership, the promotion of intrapreneurship, social responsibility etc. be empirically assessed and evaluated? Are there methods that do not just measure individual aspects of corporate culture (for example, the human capital factor) but are based on a more holistic concept of corporate culture?

What are the opportunities—and what are the risks—connected with this? And what are the consequences in terms of practically applying whatever kind of a “corporate culture index” to the daily entrepreneurial routine? In what form can assessment models and tools be used as a kind of “early warning system” for atmospheric crises that might ultimately threaten the economic success of an enterprise? When does an entrepreneur or CEO have to intervene and redirect in order to ensure that the corporate culture continues to help guarantee the innovative force and thus also high productivity?
Beyond all assessments of visible and verifiable interdependencies between the culture and the economic success of a company, one factor should not be overlooked: a measurement is only the description of a specific state. Ideally, data prove that the present state is an optimum. Normally, however, even in the “best” companies an assessment shows at least sporadic weaknesses and the need for improvement. From the entrepreneurial perspective, such an analysis must aim at determining potential for improvement and developing mechanisms to make sustained use of such potential.

- Is there, for example, the need for improvement in specific “individual disciplines,” or do specific values require consolidation through institutionalized processes?
- Can the results of assessments of corporate culture, and the corporate culture itself, lead to a change of the overall strategy of a company? Could corporate culture thus also initiate or promote innovation? Or could it alternatively hinder it, following the motto, “If everybody is satisfied, there is no need to change”—a “no-go” argument against the innovative force necessary for a company. If it does so, how then to shape culture so that it promotes rather than hinders change?
- And how does this again impact the entire corporate culture? Have new strategies and/or structures led to changing the existing culture; can, perhaps, even “parallel” cultures develop, which include features that, transferred to the original culture, might have a positive effect on the company as a whole?

The real work thus starts after the assessment, in line with late management guru Peter Drucker’s famous dictum, “If you can’t measure it, you can’t manage it.” It is important to clarify that each assessment is already an intervention which raises expectations. To justify these is the responsibility of a transparent management that has the willingness to openly communicate positive as well as negative results or measures respectively.

Only a series of repeated assessments at different moments and the changes implemented based on their results could show the development process and a dynamically developing corporate strategy and culture, which must harmonize flexibility and adaptability with a certain amount of stability and continuity. The willingness to change and innovative power require a kind of “permanent creative unrest” in the company. Yet this unrest is based on a scope of value conformity and security for each employee and other stakeholders which each company has to define for itself in order to provide that unrest is not perceived negatively or as a threat.

Against this background companies ought to find their own ways beyond academic insight and consultants’ advice. Individual companies already have
highly complex but solid systems in place that can be pragmatically and flexibly applied to determine the link between their specific corporate culture and the economic success. Such instruments must be further developed and applied in a strategically meaningful way.

We would like to thank the members of the “International Network Corporate Culture” for their varied and highly enlightening input to our discussion. In particular, we would like to express our sincerest gratitude to the author of the study, Professor Sonja A. Sackmann, whose comments have, far beyond this study, enriched our reflections on the link between corporate culture and success.

_Monique Lampe and Gabriele Schöler_

Project Managers,
Competence Center
“Corporate Culture/Leadership,”
Bertelsmann Stiftung
1. Introduction

In the early 1980s, the concept of culture gained prominent attention by both managers and organizational researchers alike. Methods were developed to understand, assess, and change corporate culture in the hope for better performance and, ultimately, to gain competitive advantage. These hopes were frequently accompanied by managers’ expectations of quick fixes, of gaining control of the corporate culture (Kilmann et al. 1985) and fast changes on the basis of a superficial understanding of the concept of culture applied to organizational settings.

Since that time, the concept of corporate culture has been further refined, though without reaching any consensus on how to best assess or measure it (e.g., Ashkanasy et al. 2000; Mackenzie Davey and Symon 2001). Similar definitions of culture result in different kinds of operationalization by different authors and yield outcomes that are difficult to compare. In addition, stated and expected positive links between corporate culture and performance are to some extent established but still need further systematic investigation.

This report aims to provide an overview of state-of-the art knowledge with regard to the link between culture and performance (chapter 2) as well as to existing approaches that have been used to assess and measure culture in organizations. Chapter 3 discusses different understandings of culture that are based on different interests in culture and ultimately lead to different ways of assessing it. Chapter 4 provides an overview of existing methods of culture assessment arranged according to their focus on the cultural layer of analysis (e.g., artifacts, practices, norms, values, beliefs, and assumptions), the origin of dimensions (e.g., generated by organizational members vs. external experts) and the purpose of the assessment (gaining an understanding of the cultural context and/or intervention).

Most of these approaches are single-method instruments described and discussed in more detail in chapter 5, while chapter 6 focuses on multiple-method approaches to understanding and/or changing corporate culture. These descriptions include the underlying definition of culture, its operation-
alization, the purpose of its use, the context(s) in which it was applied, potential links to performance with its specific operationalization and results, and a short assessment of its strengths and weaknesses. In chapter 7, we will give a more general evaluation of issues related to the assessment of culture and its link to performance and of the most promising approaches. These considerations lead to recommendations for the assessment of corporate culture with links to performance (chapter 8).

I would like to thank Birte Horstmann and Martin Friesl for their assistance in the research and compilation of instruments and Silke Agricola for her efforts and patience in integrating the graphics, checking references and finalizing the format of this document.
2. Culture and Performance

The growing interest in the concept of culture among managers was and still is grounded in the hope and assumption that the availability of an additional tool will help to ensure a firm’s success. Several scholars have nurtured this hope in the past. Silverzweig and Allen (1976) observed in their study that changes in culture increased performance in six of eight firms. The research by Ouchi and Jaeger (1978) and Ouchi (1980) suggested that a unitary vision, a focus on humanistic values with a concern for people, and consensual decision-making promotes financial success. Peters and Waterman (1982) attributed superior performance of the researched firms to their specific and “strong” corporate culture—findings that were questioned in follow-up studies only a few years later (e.g., Reynolds 1986; Hitt and Ireland 1987).

From a strategic and resource-based perspective, some authors argue on theoretical grounds that corporate culture needs attention because it can be the most important source for sustained competitive advantage (e.g., Barney 1986, 1991, 2002). This argument is based on the notion that a specific corporate culture is difficult if not impossible to imitate by other firms. Should this be the case, the question of what kind of culture supports a firm’s performance and success arises. What are the critical factors, dimensions, or characteristics of a culture that promote success?

While many authors still argue about the contribution of a corporate culture to a firm’s success on theoretical and normative grounds, a growing body of empirical research has addressed the link between corporate culture and performance. The resulting picture of this link is, however, almost as diverse as conceptions about culture. An overview of the literature on organizational culture as a predictor of organizational performance is provided by Wilderom et al. (2000). The authors discuss ten empirical studies that have investigated the culture-performance link. Some of the findings suggest that “strong” cultures have a positive effect on performance—predominantly but not exclusively in the short run—and that a firm’s human orientation is positively related to performance.
However, the way the concepts “strong”, “culture” and “performance” are defined vary from study to study. A set of other studies suggests that externally-oriented rather than strong cultures have a positive influence on a firm’s performance. Unfortunately, most studies are not directly comparable because they investigate different kinds of firms, industries, and hierarchical levels. Furthermore, respondents are often not representative of the firm, and research designs are mostly cross-sectional rather than longitudinal. The following paragraphs review the results of studies that investigate a culture-performance link.

Denison (1990) studied 34 large firms from 25 different countries using his framework of four culture traits: involvement, consistency, adaptability, and mission. Consistency is defined as widely shared organizational values. The results show that involvement is positively related to short- and long-term performance, while consistency—including consistent management systems—is only positively related to short-term performance and negatively related to long-term performance.

In a later study, Denison and Mishra (1995) used the same culture framework and investigated 764 top managers of the same number of firms in different industries. While all four culture traits were positively related to a return on assets, mission was the strongest predictor with some differences depending on the size of firm. While mission and consistency were better predictors for the profitability of large firms, involvement and adaptability could better predict sales growth.

Chan et al. (2004) used Denison’s culture traits in a multi-industry study of Hong Kong firms. They found that involvement, policy consistency, adaptability and mission were positively related to organizational performance, but only mission and adaptability were positively related to market performance.

Calori and Sarnin (1991) researched the effects of work-related values and perceived management practices on returns on investment, returns on sales, and growth in five French firms. Many of the investigated values and management practices were related to the firms’ growth, but only a few of them were related to profitability. Strength of culture (defined as cultural intensity and cultural homogeneity) was significantly related to a firm’s growth over a three-year period.

Gordon and DiTomaso (1992) collected data from 850 managers in eleven U.S. insurance firms and also found culture strength and adaptability related to short-term performance. Kotter and Heskett (1992), on the other hand, found a moderately positive relationship between culture strength and long-term economic performance. Their research design and data collection method is, however, rather weak. They measured culture strength with only
three questions that the 600 top managers of 207 U.S. firms from 22 different
industries had to rate on a scale from 1 to 5. These three questions related to
the perceived extent of a “style” or way of doing things, the existence of a
creed or credo with an attempt to encourage managers to follow it, and man-
agement according to longstanding policies and practices.

Using Kotter and Heskett’s database, Sørensen (2002) found that strong-
culture firms show a more reliable performance in stable environments. This
positive effect disappeared, however, in volatile environments.

In their study of 832 employees from 12 service units of a U.S. electric
utility firm, Petty et al. (1995) found that teamwork is positively associated
with high performance. Van der Post et al. (1998) studied the relationship
between organizational culture and performance in 49 organizations in
South Africa with 9,471 respondents randomly selected from these organiza-
tions. Based on the existing literature, Van der Post et al. developed a ques-
tionnaire with 15 culture dimensions and used four financial performance
measures (return on average equity, return on average assets, total asset
growth rate and share return). Financially, more effective firms differed from
those that were not as effective in all of the studied culture dimensions. More
specifically, financially successful firms—in comparison to not so financially
successful ones—were found to be associated with the following factors:

– a strategic vision
– a regular review of organizational culture and core values against busi-
ness strategy
– recruitment, orientation, and initial training procedures designed to com-
 municate core values to employees
– the use of communication systems to transmit core values to all employees

Recent studies that apply more sophisticated research designs suggest that
culture may have both a direct and indirect effect on firm performance.
Koene (1996) identified both a direct influence of employee orientation and
openness on performance and an indirect influence via communication. Sin
and Tse (2000) studied the effects of organizational culture values on strategic
marketing effectiveness and performance in 388 service firms located in
Hong Kong. Their findings reveal that organizational culture values affect
company performance both directly and indirectly via their impact on market-
ing effectiveness.

Wilderom and Van den Berg (2000) found only an indirect influence of
culture on firm performance via transformational top leadership and no
direct effect between their culture variables and firm performance measures.
Marcoulides and Heck (1993) also found an indirect effect of an organiza-