As the world is becoming more complex and global, the issues of corporate culture and subculture are more relevant to leadership and organizational performance. Leadership not only creates culture but is the central force in managing culture evolution and change. This new and revised edition of Schein’s groundbreaking book shows how the management of cultural issues now involves the alignment of national, corporate, and occupational cultures. Effective organizations not only need to decide how strongly they want their corporate culture to be based on the rate of technological change, but should also be concerned about the management of the multiple subcultures that arise with increasing technological complexity. More than ever, leaders must have a clear understanding of how to manage in a multicultural environment.

Written for practitioners, Schein reinforces the emphasis on understanding the nature of culture before one leaps into culture change programs, especially in an age where mergers, acquisitions, joint ventures, and foreign subsidiaries make culture management more difficult. This well-timed revision of The Corporate Culture Survival Guide is the ideal resource for leaders looking to figure out how their corporate culture can aid or hinder current performance and future effectiveness. Reflecting the myriad changes in the field, this new and revised edition contains new examples that target the international, nonprofit and public administration sectors; highlights the effects of globalization, mergers, and technology on organizations; and features a new chapter on the competencies managers need to foster in order to cultivate an effective corporate culture.

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The Corporate Culture Survival Guide
The Corporate Culture Survival Guide

New and Revised Edition

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Preface to the New and Revised Edition

The field of organizational culture has evolved along several dimensions in the ten years since the first edition of this book. This new and revised edition attempts to capture this evolution while retaining the fundamental model of culture that continues to prove to be a useful tool. My basic model of organizational culture has not changed, but the application of the model has certainly changed both research and practice around culture formation, evolution, and managed change. I am still addressing the practicing leader and manager who wants to understand and work with culture. To that end the basic structure of the book will look similar to the first edition.

Culture as a concept in organizational life has come to be accepted, but there is still a strong divide between (1) those who want very abstract universal dimensions of culture that can be measured with surveys and questionnaires and (2) those who want to study the nuances, details, and dynamics of particular cultures by observation, interview, and intervention. The first approach looks for general traits; the second approach looks for general cultural processes.

Both groups are interested in how cultural forces impact organizational performance, but whereas the first group is looking for cultural traits that will correlate with performance across all kinds of companies and industries, the second group is looking for direct linkages between particular cultural events and performance outcomes. The first approach lends itself to
a quantitative cross-sectional analysis, the second requires a
more clinical longitudinal analysis. The first approach of neces-
sity develops variables that are quite abstract and removed from
here-and-now organizational events that the manager or consult-
ant encounters in a particular company. The second approach
looks for proximate variables that enable the manager or con-
sultant to deal with the immediate situation. The first approach
tries to develop broad theoretical principles that apply to large
numbers of organizations. The second approach looks for middle-
level theories that illuminate local situations.

I have chosen to highlight this difference at the outset in
order to make it very clear to the reader what my own position
is on this dimension. While I gain some insight from the work
of colleagues who work on the first approach, I have found that
my own insights are far greater if I am clinically involved as an
active change agent. I have come to believe that at this stage of
the development of our field we still need the detailed clinical
studies of cultural events because we do not yet know what the
crucial dimensions and variables will ultimately turn out to be.

There is also a more pressing argument for the second
approach. One cannot really build, evolve, or change culture
without getting into the messy details of particular cultures. The
broad dimensions are valid, but they are so distant from the day-
to-day phenomena that leaders and managers are wrestling with
that they do not inform you on what should be done.

So this book, especially this new and revised edition, is
written to the leader and manager who needs to get something
done and, therefore, needs to understand the nitty gritty of
culture dynamics. As it turns out, this nitty gritty has become
much more complex because of the evolution of technological
complexity, leading to more occupational subcultures, and the
growth of globalism, leading to more groups and organizations
that mix both occupational and national cultures. A merger of
two companies in one country is a far different set of issues than
a joint venture of two different companies from two different
countries trying to put together a project in yet another country.
Leaders and managers of organizations (and societies) are creators, products, and victims of culture. And it is one of the unique functions of leadership not only to create cultures in new groups but also to manage cultural issues in mature organizations. For all of this, they need concepts and a toolkit. This book is written from that point of view. It is intended to explain what culture is, when and how one assesses it, and when and how one changes it.

The basic structure is similar to the previous edition. In Part One we examine basic definitions, why culture is important in the first place, and what range of dimensions can be explored in probing the content of culture. Part Two begins with an important chapter on general change theory and how it applies to culture. In the next three chapters I explain how to work with culture at different stages of organizational evolution. Finally, we end with the very new issue of multicultural groups that more or less start from scratch to blend together to the extent possible the different assumptions that are brought to a new project by members from different cultures. This is as yet uncharted territory but some principles of how to blend cultures are beginning to emerge.
Acknowledgements

My main debt is once again to my clients, who not only provided endlessly interesting and challenging culture puzzles but whose efforts to evolve and change culture revealed many of the crucial dynamics that have informed the content of this book. Whenever possible I have named these clients, but in some projects confidentially was requested so I gave them pseudonyms.

I am very appreciative of the thoughtful and detailed reviews of my first edition that were provided by the Jossey-Bass editorial staff and want to express a special thank you to Joan Gallos, who was helpful as a reviewer and, more importantly, as a guide through the complexity of the reviews themselves.

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Part One

THE STRUCTURE AND CONTENT OF CULTURE

In order to manage culture, you must understand what culture is, what content culture covers, and how to assess it. It is dangerous to oversimplify this concept because of the illusion that one is managing culture when one is, in fact, managing only a manifestation of culture and, therefore, not achieving one’s change goals.
WHY BOTHER?

Why is it important to understand culture? In this chapter I will provide an overview of the many ways in which culture matters. First, culture and leadership are two sides of the same coin and one cannot understand one without the other. Next, we have to understand that organizations are cultural units that have within them powerful subcultures based on occupations and common histories. We have to recognize that organizations exist within broader cultural units that matter in today’s global world because mergers, acquisitions, joint ventures and special projects are often multicultural entities who must have the ability to work across cultures. Finally, we have to understand that the culture issues are different in young, mid-life, and older organizations.

Leadership and Culture Are Intertwined

Not only does culture reside within us as individuals, but it is also the hidden force that drives most of our behavior both inside and outside organizations. We are members of a country, an occupation, an organization, a community, a family, and a social group. Each of these cultures is part of us and impacts us. In every new social situation, whether we are aware of it or not, we function as “leaders” in that we not only reinforce and act as a part of the present culture, but often begin to create new cultural elements. This interplay of culture creation, reenactment, and reinforcement creates an interdependency between culture and leadership.

Much of the confusion about what culture and leadership mean derives from a failure to consider this interaction between them and our failure to define what stage of an organization’s life we
are talking about. If the leader is an entrepreneur who is founding an organization, he or she will have the opportunity to begin the culture creation process by imposing beliefs, values, and assumptions onto new employees. If the new organization succeeds, then its cultural elements become shared and constitute the emerging culture of that organization. What is considered “leadership” then reflects what the founder imposed and will become the definition of what is considered appropriate leadership in that organization. A successful organization founded by a compulsive autocrat will consider that style of leadership as the “correct” way to run a company, just as another successful organization founded by a participative democrat will consider that style to be “correct.” One reason why it is so hard to define leadership is that there are so many “correct” versions, each reflecting one of the many kinds of successful organizations that exist in the world, each with its own culture.

When new leaders take over existing organizations, they find that the existing culture defines what kind of leadership style is expected and accepted, based on past history and the beliefs, values, and assumptions of earlier leaders. This is true whether we are talking about a new political appointee taking over a government department, a new CEO taking over a business, or a new minister taking over a congregation. If the new leader has been promoted from within, he or she will have some sense of the cultural issues that need to be dealt with. However, if the new leader comes from outside the organization, he or she will have to choose among several options:

1. **Destroy the existing culture** by getting rid of the key culture carriers, usually the top two or three echelons of executives, and attempt to implement his or her own beliefs, values, and assumptions by arbitrarily imposing new behavioral rules on the remaining employees. The risk of using this alternative is that essential knowledge, skills, and “know-how” will be lost as well and the performance of the organization will decline.
2. **Fight the existing culture** by attempting to impose his or her own beliefs, values, and assumptions on the existing members of the organization. The risk of this alternative is that the organization will adapt only on the surface and “wait it out” until the leader is eventually replaced—the old culture usually will “win” in this scenario unless the new leader has extraordinary charisma.

3. **Give in to the existing culture** by abandoning his or her own beliefs, values, and assumptions. The risk of this alternative is that all of the elements of the old culture will be perpetuated when in fact some of these elements are obsolete and dysfunctional and should, therefore, be changed.

4. **Evolve the culture** by initially adapting enough to figure out how to get things done and then gradually imposing new rules and behaviors that rest on different beliefs, values, and assumptions. For many leaders and for many organizations, this is the desirable alternative in terms of improving effectiveness and it is the essence of what is meant by “culture change.” For old and well-established organizations such as government departments or old industries, cultural evolution is the only possible alternative. The cultural dynamics underlying such evolution are the essence of what leaders as culture managers must learn, and these dynamics are the central theme of this book.

**Subcultures**

The leader’s role in evolving the culture is complicated by the fact that, as organizations grow and mature, they not only develop their own overall cultures, but they also differentiate themselves into many subcultures based on occupations, product lines, functions, geographies, and echelons in the hierarchy. In some organizations the subcultures are as strong as or stronger than the overall
organizational culture. Leaders thus must not only understand the cultural consequences of the many ways in which growing organizations differentiate themselves but, more importantly, must align the various subcultures that have been created toward a common corporate purpose.

Managing the alignment of many subcultures has become especially important in the 21st century because of:

- Mergers, acquisitions, and joint ventures in which the subcultures are actually entire organizational cultures that need to be blended or at least aligned
- Globalization, which produces many diverse multicultural organizational units based on nationality, language, and ethnicity
- Technological complexity, which produces many more “mature” occupational subcultures that have to be taken into account in designing the flow of work (Technological complexity implies that every functional unit such as finance, marketing, or R & D is now more specialized and is attracting members of occupations that are themselves more specialized.)
- Information technology, which has created many more structural options of when, where, and by whom work is to be done (Cultures tend to grow from the interaction of co-located employees, so the question arises of what kinds of subcultures can and will form in networks of employees who are electronically connected but may never have met each other.)

These cultural and subcultural issues influence all aspects of how an organization functions, so the task of leadership is to understand the dynamic forces that arise and to manage these forces to ensure that they are congruent with the organization’s mission and goals. As subculture dynamics become more important, the role
of leadership broadens. It is not enough for the CEO and the top executive group to be concerned about and manage the “corporate culture.” Leaders at every level of the organization must recognize that they have a role in creating, managing, and evolving the subcultures in their parts of the organization. One obvious example is that union leadership must not only understand, manage, and evolve the union’s culture, but must also ensure that the union, as a subculture, is aligned with the corporate culture of a unionized organization.

In summary, leadership cannot really be understood without consideration of cultural origins, evolution, and change. In the same way, organizational culture and subcultures cannot really be understood without considering how leaders at every level and in every function of an organization behave and influence how the total system functions. Organizational functioning is heavily dependent on how existing subcultures align with each other, which means that it is critical for leaders to understand and manage subculture dynamics.

**Samples of How the Leadership/Culture Interaction Matters**

Many years ago, when Atari was preeminent in designing computerized games, they brought in a new CEO whose background was in marketing. His cultural background told him that the way to run a company was to get a good individual incentive and career system going. Imagine his chagrin when he discovered a loosely organized bunch of engineers and programmers whose work was so seemingly disorganized that you could not even tell whom to reward for what. The CEO was sure he knew how to clean up that kind of mess! He instituted clear personal accountabilities and an individualistic, competitive reward system symbolized by identifying the “engineer of the month”—only to discover that the organization became demoralized and some of the best engineers left the company.
This well-meaning CEO had not realized that in its evolution the company had learned that the essence of the creative process in designing good games was the unstructured collaborative climate that enabled designers to trigger each other’s creativity. The successful game was a group product. The individual engineers shared an assumption that only through extensive informal interaction could an idea come to fruition. No one could recall who had actually contributed what. The new individualized reward system gave too much credit to the “engineer of the month” named by the CEO, and the competitive climate reduced the fun and creativity. This leader did not understand a crucial element of the culture he was entering, so he made some decisions that changed a key element of the culture in a dysfunctional way.

The story of Digital Equipment Corporation (DEC) will be told throughout this book, but for purposes of understanding how much culture matters it needs to be said at the outset that the very culture that made DEC a great company in a remarkably short period of time became dysfunctional as size, market conditions, and technology changed.\(^1\) Ken Olsen as a leader created a remarkable culture in which all employees felt fully responsible and committed to the growth and success of the organization through innovating a whole new style of computing. One could interact with DEC computers online—the first time that this was possible.

Olsen’s leadership created what became in the mid-1980s the second-largest computer company in the industry. It was a model of how to “empower” people and build a company through product innovation. But as technology and market forces changed in the 1980s toward the computer as a commodity, the DEC culture of innovation failed to adapt to changing technological and economic circumstances, leading to its sale to Compaq and eventual absorption into Hewlett-Packard (HP). Was this a failure of leadership, or was the culture now powerful enough to dictate what kind of leadership would be acceptable, even if it was economically dysfunctional?