



FOCUS ARTICLE

Corporate Culture: Understanding Its Importance and Reaping Its Benefits

Author: Carlene Smith

Underpinning every aspect of a company, its successes and its failures, is its corporate culture. Despite extensive academic research on the subject, organisations still make mistakes when it comes to understanding how their culture contributes to performance outcomes and how it can be improved. A thorough assessment of the status quo and leadership engagement can make a difference.

Behaviours Are the Bedrock of Company Culture

Academic research on corporate culture abounds, but business and industry still struggle with what it means, why it makes a difference and how it takes shape. In some cases, culture is perceived as one of many issues vying for attention alongside safety, productivity, quality, and so on, while in reality it is the underlying framework that supports and determines safety, productivity, quality, etc. There are also misperceptions about what culture consists of and how it's influenced. For example, an organisation may compile a list of values that appear in induction programs, PR materials and, from time to time, on posters around the site, giving the feeling that it has played its part in establishing the corporate culture. This approach misses the crucial point that culture is behaviour-based, an accumulation of actions, not a list of words. Both of these

situations reflect a failure to realise how fundamental culture is to achieving positive outcomes and avoiding disastrous ones. Even when a company begins to grasp how culture permeates every aspect of its operations, it may not be quite sure how to shape it effectively.

Why Is Corporate Culture Important?

As proof that culture determines outcomes, it's enough to examine the causes of any major industrial accident in the last fifty years. The recent Sky dramatisation of the events leading up to the Chernobyl disaster, for instance, vividly illustrates how a highly hierarchical culture and a rigid control and command leadership style can lead to catastrophe. Even aside from the fictional

reconstruction, experts who have assessed the incident investigation documents from Chernobyl concur that culture was to a large extent to blame in what occurred there. Likewise, investigations of the Deepwater Horizon/Macondo disaster explicitly recognise cultural factors as a cause of the fatal explosion. Indeed, whether explicitly named or implicitly implicated, culture is nearly always a causal factor when things go wrong. Similarly, when organisations excel, a positive corporate culture is surely in place supporting their success.

“Culture and leadership...are two sides of the same coin.” – Edgar Schein .

„Organizational Culture and Leadership“. San Francisco: Jossey-Bass. 1985.

Culture needs cultivating, and the question is how. Edgar Schein’s groundbreaking work “Organisational Culture and Leadership” cites culture as leaders’ central contribution and primary job. It is leaders’ reaction to crises, their role modelling, their approach to rewards and recruiting – in short, their behaviour – that establishes corporate culture and teaches employees how things are done within an organisation. From a leadership perspective, accepting this conclusion means taking on considerable responsibility, since culture is what creates success.

Leaders concerned about company culture can begin by reflecting honestly on the current state of affairs. In particular, the answers to the following five questions can be revealing:

- > What 10 words describe your company’s culture?
- > What’s important in your organisation?
- > Who gets promoted?
- > Which behaviours get rewarded?
- > Who fits in?

In some cases, there’s a misalignment between the words a company uses to describe itself and how things are done. For example, if words like “safety” or “teamwork” are mentioned as values and yet those who get promoted or earn recognition do so for increasing profits at any cost or unquestioningly following orders, then the stated values are at odds with the real life culture of the company.

To fully understand your organisation’s culture and truly make a difference for the better, the guidance of a specialised third party may be necessary. The experts at DEKRA have designed a **Culture of Care** diagnostic tool that not only shows organisations where they stand on the cultural maturity spectrum, but also indicates how the organisation’s culture affects various outcomes such as safety, quality, productivity and other parameters. In addition, the diagnostic indicates areas of development alongside strengths, so that leaders know what to target and how.

Creating Leaders Committed to Positive Cultural Change

It often turns out that leadership itself is an area of development. In any case, it is always worthwhile for leaders to reflect on their behaviour and on their management style, whether the goal is to transform or merely tweak company culture. Here, too, enlisting help can facilitate the process. DEKRA’s **Leader Care Profile**, for example, creates a mirror for leaders to look into and understand both how they perceive themselves and how others perceive them in terms of humanity, integrity and competence. Whether leaders employ this or some other assessment tool, the goal is to understand one’s predominant style and then to learn how to effectively deploy a range of positive leadership styles depending on the circumstances or the personalities in play.

Even with the right tools, expertise, and enthusiastic participation, cultural change doesn’t happen overnight. It can’t be compared to replacing a machine or even restructuring a department, because culture is embedded in the behaviours of every individual in an organisation. Starting at the top, where culture is shaped, is where not only training but also intensive coaching has the biggest impact. Nonetheless, experience shows that a few months after cultural maturity spikes, reflecting positive change in leadership and elsewhere, it tends to plateau or even slightly backslide. Considering the level of conscious effort, it takes to shift behaviour patterns it’s unsurprising that sustainable progress is a challenge. Maintaining third party support and repeating the initial assessment on a regular basis is one way to keep **new behaviours** front of mind. Ultimately, crisis situations are the true test of how well a company has progressed culturally. That’s when the investment of time and resources in a positive corporate culture pays off as companies demonstrate resiliency and excellence even under adverse conditions.

CARLENE SMITH

Carlene Smith is Consultant, Assessment & Solutions at DEKRA Organisational Reliability Ltd. She has a master's in occupational psychology with a specific interest in helping organisations improve their performance, whether that is in regards to safety, productivity or the organisational culture. Carlene joined DEKRA in 2012 following her undergraduate degree in Psychology. Carlene's current role focuses on providing clients with cultural assessments and recommending and developing appropriate solutions to increase cultural maturity with the aim to create a culture of care.



DEKRA Organisational Reliability

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