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HOW LEADERS EMBED AND TRANSMIT CULTURE

In Chapter Twelve we saw how leaders, in their role as founders of organizations, start the culture formation process by imposing their own assumptions on a new group. In this chapter we will explore this process further by examining the many mechanisms that leaders have available to them to reinforce the adoption of their own beliefs, values, and assumptions as the group gradually evolves into an organization. As the organization stabilizes because of success in accomplishing its primary task, the leader's assumptions become shared and the embedding of those assumptions can then be thought of more as a process of socializing new members or acculturating them to the group. From the point of view of a new member, it is a process of the leader and old-timers in the group teaching the new member how to get along in the group and become accepted as a member.

The simplest explanation of how leaders get their message across is that they do it through *charisma*—that mysterious ability to capture the subordinates' attention and to communicate major assumptions and values in a vivid and clear manner (Bennis and Nanus, 1985; Conger, 1989; Leavitt, 1986). The problem with charisma as an embedding mechanism is that leaders who have it are rare and their impact is hard to predict. Historians can look back and say that certain people had charisma or had a great vision. It is not always clear at the time, however, how they transmitted the vision. On the other hand, leaders without charisma have many ways of getting their message across and it is these other ways that will be the focus of this chapter.

Primary Embedding Mechanisms

Taken together, the six primary embedding mechanisms shown in Exhibit 13.1 are the major tools that leaders have available to them to teach their organizations how to perceive, think, feel, and behave based on their own conscious and unconscious convictions. They are discussed in sequence but they operate simultaneously. They are visible artifacts of the emerging culture and they directly create what would typically be called the "climate" of the organization (Schneider, 1990; Ashkanasy, Wilderom, and Peterson, 2000).

What Leaders Pay Attention to, Measure, and Control

One of the most powerful mechanisms that founders, leaders, managers, or even colleagues have available for communicating what they believe in or care about is what they systematically pay atten-

Exhibit 13.1. How Leaders Embed Their Beliefs, Values, and Assumptions.

Primary Embedding Mechanisms

- What leaders pay attention to, measure, and control on a regular basis
- How leaders react to critical incidents and organizational crises
- How leaders allocate resources
- Deliberate role modeling, teaching, and coaching
- How leaders allocate rewards and status
- How leaders recruit, select, promote, and excommunicate

Secondary Articulation and Reinforcement Mechanisms

- Organizational design and structure
- Organizational systems and procedures
- Rites and rituals of the organization
- Design of physical space, facades, and buildings
- Stories about important events and people
- Formal statements of organizational philosophy, creeds, and charters

tion to. This can mean anything from what they notice and comment on to what they measure, control, reward, and in other ways *deal with systematically.* Even casual remarks and questions that are consistently geared to a certain area can be as potent as formal control mechanisms and measurements.

If leaders are aware of this process, then being systematic in paying attention to certain things becomes a powerful way of communicating a message, especially if leaders are totally consistent in their own behavior. On the other hand, if leaders are not aware of the power of this process or they are inconsistent in what they pay attention to, subordinates and colleagues will spend inordinate time and energy trying to decipher what a leader's behavior really reflects and will even project motives onto the leader where none may exist. This mechanism is well captured by the phrase "you get what you settle for."

As a consultant, I have learned that my own consistency in what I ask questions about sends clear signals to my audience about my priorities, values, and beliefs. It is the consistency that is important, not the intensity of the attention. To illustrate, at a recent conference on safety in industrial organizations, the speaker from Alcoa pointed out that one of their former CEOs, Paul O'Neill, wanted to get across to workers how important safety was, and did this by insisting that the first item on *every* meeting agenda was to be a discussion of safety issues.

Douglas McGregor (1960) tells of a company that wanted him to help install a management development program. The president hoped that McGregor would propose exactly what to do and how to do it. Instead, McGregor asked the president whether he really cared about identifying and developing managers. On being assured that he did, McGregor proposed that he should build his concern into the reward system and set up a consistent way of monitoring progress; in other words, he should start to pay attention to it.

The president agreed and announced that henceforth 50 percent of each senior manager's annual bonus would be contingent on what he had done to develop his own immediate subordinates during the past year. He added that he himself had no specific program in mind, but that in each quarter he would ask each senior manager what had been done. One might think that the bonus was the primary incentive for the senior managers to launch programs, but far more important was the fact that they had to report regularly on what they were doing. The senior managers launched a whole series of different activities, many of them pulled together from work that was already going on piecemeal in the organization. A coherent program was forged over a two-year period and has continued to serve this company well. The president continued his quarterly questions and once a year evaluated how much each manager had done for development. He never imposed any program, but by paying consistent attention to management development and by rewarding progress, he clearly signaled to the organization that he considered management development to be important.

At the other extreme, some DEC managers illustrated how inconsistent and shifting attention causes subordinates to pay less and less attention to what senior management wants, thereby empowering the employee level by default. For example, a brilliant manager in one technical group would launch an important initiative and demand total support, but two weeks later he would launch a new initiative without indicating whether or not people were supposed to drop the old one. As subordinates two and three levels down observed this seemingly erratic behavior, they began to rely more and more on their own judgment of what they should actually be doing.

Some of the most important signals of what founders and leaders care about are sent during meetings and in other activities devoted to planning and budgeting, which is one reason why planning and budgeting are such important managerial processes. In questioning subordinates systematically on certain issues, leaders can transmit their own view of how to look at problems. The ultimate content of the plan may not be as important as the learning that goes on during the planning process.

For example, in his manner of planning, Smithfield (see Chapter Twelve, "Smithfield Enterprises") made it clear to all his subordinates that he wanted them to be autonomous, completely responsible for their own operation, but financially accountable. He got this message across by focusing only on financial results. In contrast, both Sam Steinberg and Ken Olsen asked detailed questions about virtually everything during a planning process. Steinberg's obsession with store cleanliness was clearly signaled by the fact that he always commented on it, always noticed deviations from his standards, and always asked what was being done to ensure it in the future. Olsen's assumption that a good manager is always in control of his own situation was clearly evident in his questions about future plans and his anger when plans did not reveal detailed knowledge of product or market issues.

Emotional Outbursts. Founders and leaders also let members know what they care about with an even more powerful signal: their emotional reactions, especially their emotional outbursts when they feel that one of their important values or assumptions is being violated. Such outbursts are not necessarily very overt, because many managers believe that one should not allow one's emotions to become too involved in the decision-making process. But subordinates generally know when their bosses are upset. On the other hand, some leaders do allow themselves to get overtly angry and upset and use those feelings as messages.

Subordinates find their bosses' emotional outbursts painful and try to avoid them. In the process, they gradually come to condition their behavior to what they perceive the leader to want, and if, over time, that behavior produces desired results they adopt the leader's assumptions as well. For example, Olsen's concern that line managers stay on top of their jobs was originally signaled most clearly in an incident at an executive committee meeting when the company was still very young. A newly hired chief financial officer (CFO) was asked to make his report on the state of the business. He had analyzed the three major product lines and brought his analysis to the meeting. He distributed the information and then pointed out that one product line in particular was in financial difficulty because of falling sales, excessive inventories, and rapidly rising manufacturing costs. It became evident in the meeting that the vice president (VP) in charge of the product line had not seen the CFO's figures and was somewhat embarrassed by what was being revealed.

As the report progressed, the tension in the room rose because everyone sensed that a real confrontation was about to develop between the CFO and the VP. The CFO finished and all eyes turned toward the VP. The VP said that he had not seen the figures and wished he had had a chance to look at them; since he had not seen them, however, he had no immediate answers to give. At this point Olsen blew up, but to the surprise of the whole group he blew up not at the CFO but at the VP. Several members of the group later revealed that they had expected Olsen to blow up at the CFO for his obvious grandstanding in bringing in figures that were new to everyone. However, no one had expected Olsen to turn his wrath on the product line VP for not being prepared to deal with the CFO's arguments and information. Protests that the VP had not seen the data fell on deaf ears. He was told that if he were running his business properly he would have known everything the treasurer knew, and he certainly should have had answers about what should now be done.

Suddenly everyone realized that there was a powerful message in Olsen's behavior. He clearly expected and assumed that a product-line VP would always be totally on top of his own business and would never put himself in the position of being embarrassed by financial data. The fact that the VP did not have his own numbers was a worse sin than being in trouble. The fact that he could not respond to the troublesome figures was also a worse sin than being in trouble. Olsen's blowup at the line manager was a far clearer message than any amount of rhetoric about delegation, accountability, and the like would have been.

If a manager continued to display ignorance or lack of control of his own situation, Olsen would continue to get angry at him and accuse him of incompetence. If the manager attempted to defend himself by noting that his situation either was the result of actions on the part of others over whom he had no control or resulted from prior agreements made by Olsen himself, Olsen would emotionally tell him that he should have brought the issue up right away to force a rethinking of the situation and a renegotiation of the prior decision. In other words, Olsen made it very clear, by the kinds of things to which he reacted emotionally, that poor ultimate performance could be excused but that not being on top of one's own situation and not informing others of what was going on could never be excused.

Olsen's deep assumption about the importance of always telling the truth was signaled most clearly on the occasion of another executive committee meeting, when it was discovered that the company had excess inventory because each product line, in the process of protecting itself, had exaggerated its orders to manufacturing by a small percentage. The accumulation of these small percentages across all the product lines produced a massive excess inventory, which the manufacturing department disclaimed because it had only produced what the product lines had ordered.

At the meeting in which this situation was reviewed, Olsen indicated that he had rarely been as angry as he was then because the product-line managers had *lied.* He stated flatly that if he ever caught a manager exaggerating orders again, it would be grounds for instant dismissal no matter what the reasons. The suggestion that manufacturing could compensate for the sales exaggerations was dismissed out of hand because that would compound the problem. The prospect of one function lying while the other function tried to figure out how to compensate for it totally violated Olsen's assumptions about how an effective business should be run.

Both Steinberg and Olsen shared the assumption that meeting the customer's needs was one of the most important ways of ensuring business success, and their most emotional reactions consistently occurred whenever they learned that a customer had not been well treated. In this area the official messages, as embodied in company creeds and the formal reward system, were completely consistent with the implicit messages that could be inferred from founder reactions. In Steinberg's case, the needs of the customer were even put ahead of the needs of the family, and one way that a family member could get in trouble was by mistreating a customer.

Inferences from What Leaders Do* Not *Pay Attention To. Other powerful signals that subordinates interpret for evidence of the leader's assumptions are what leaders *do not react to*. For example, at DEC, managers were frequently in actual trouble with cost overruns, delayed schedules, and imperfect products, but such trouble rarely caused comment if the manager had evidenced that he or she was in control of the situation. Trouble could be expected and was assumed to be a normal condition of doing business; only failure to cope and regain control was unacceptable. In DEC's product design departments, one frequently found excess personnel, very high budgets, and lax management with regard to cost controls, none of which occasioned much comment. Subordinates correctly interpreted this to mean that it was far more important to come up with a good product than to control costs.

Inconsistency and Conflict. The combinations of what founder leaders do and do not pay attention to can be challenging to decipher because they reveal the areas where unconscious conflicts may exist. For example, at DEC the clear concern for customers was signaled by outbursts after customers complained. But this attitude coexisted with an implicit arrogance toward certain classes of customers because the engineers often assumed that they knew what the customer would like in the way of product design and Olsen implicitly reinforced this attitude by not reacting in a corrective way when engineers displayed such attitudes. Olsen's own attitudes toward more or less technically sophisticated customers were not clear, but his silent condoning of his engineers' behavior made it possible for others to assume that Olsen also believed, deep down, that he knew better what the less sophisticated customer really wanted.

Some of the mechanisms that leaders use to communicate their beliefs, values, and assumptions are conscious, deliberate actions; others are unconscious and may even be unintended (Kunda, 1992). The leader may be conflicted and may be sending mutually contradictory messages (Kets de Vries and Miller, 1987). Among the leaders described in Chapter Twelve, Sam Steinberg officially stated a philosophy of delegation and decentralization but retained tight centralized control, intervened frequently on very detailed issues, and felt free to go around the hierarchy. Ken Olsen sent inconsistent signals concerning simplicity and complexity. He always advocated simple structures in which accountability was clearly visible, yet his decision-making style forced high degrees of complexity as various managers worked their proposed solutions through various committees. Managers who grew up in the company understood that one could simultaneously advocate both, but newcomers often had difficulty with what seemed to be obvious inconsistencies. On the one hand, Olsen wanted simplicity, clarity, and high levels of cooperation, but on the other, he often supported and even encouraged overlaps, ambiguity, and competitiveness.

Subordinates will tolerate and accommodate contradictory messages because, in a sense, founders, owners, and others at higher levels are always granted the right to be inconsistent or, in any case, are too powerful to be confronted. The emerging culture will then reflect not only the leader's assumptions but also the complex internal accommodations created by subordinates to run the organization in spite of or around the leader. The group, sometimes acting on the assumption that the leader is a creative genius who has idiosyncrasies, may develop compensatory mechanisms, such as buffering layers of managers, to protect the organization from the dysfunctional aspects of the leader's behavior. In those cases the culture may become a defense mechanism against the anxieties unleashed by inconsistent leader behavior. In other cases the organization's style of operating will reflect the very biases and unconscious conflicts that the founder experiences, thus causing some scholars to call such organizations neurotic (Kets de Vries and Miller, 1984, 1987). At the extreme, subordinates or the board of directors may have to find ways to move the founder out altogether, as has happened in a number of first-generation companies.

In summary, what leaders consistently pay attention to, reward, control, and react to emotionally communicates most clearly what their own priorities, goals, and assumptions are. If they pay attention to too many things or if their pattern of attention is inconsistent, subordinates will use other signals or their own experience to decide what is really important, leading to a much more diverse set of assumptions and many more subcultures.

Leader Reactions to Critical Incidents and Organizational Crises

When an organization faces a crisis, the manner in which leaders and others deal with it creates new norms, values, and working procedures and reveals important underlying assumptions. Crises are especially significant in culture creation and transmission because the heightened emotional involvement during such periods increases the intensity of learning. Crises heighten anxiety, and the need to reduce anxiety is a powerful motivator of new learning. If people share intense emotional experiences and collectively learn how to reduce anxiety, they are more likely to remember what they have learned and to ritually repeat that behavior in order to avoid anxiety.

For example, a company almost went bankrupt because they overengineered their products and made them too expensive. They survived by hitting the market with a lower-quality, less expensive product. Some years later the market required a more expensive, higher-quality product but this company was not able to produce such a product because they could not overcome their anxiety based on their memories of almost going under with the more expensive high-quality product.

What is defined as a crisis is, of course, partly a matter of perception. There may or may not be actual dangers in the external environment, and what is considered to be dangerous is itself often a reflection of the culture. For purposes of this analysis, a crisis is what is perceived to be a crisis and what is defined as a crisis by founders and leaders. Crises that arise around the major external survival issues are the most potent in revealing the deep assumptions of the leaders and therefore the most likely to be the occasions when those assumptions become the basis of shared learning and thus become embedded.

According to a story told about Tom Watson, Jr., in the context of IBM's concern for people and for management development, a young executive had made some bad decisions that cost the company several million dollars. He was summoned to Watson's office, fully expecting to be dismissed. As he entered the office, the young executive said, "I suppose after that set of mistakes you will be wanting to fire me." Watson replied, "Not at all, young man; we have just spent a couple of million dollars educating you."

Innumerable organizations have faced the crisis of shrinking sales, excess inventories, technological obsolescence, and the subsequent necessity of laying off employees in order to cut costs. How leaders deal with such a crisis reveals some of their assumptions about the importance of people and their view of human nature. Ouchi (1981) cites several dramatic examples in which U.S. companies faced with layoffs decided instead to go to short workweeks or to have all employees and managers take cuts in pay to manage the cost reduction without people reduction.

The DEC assumption that "we are a family who will take care of each other" came out most clearly during periods of crisis. When the company was doing well, Olsen often had emotional outbursts reflecting his concern that people were getting complacent. When the company was in difficulty, however, Olsen never punished anyone or displayed anger; instead, he became the strong and supportive father figure, pointing out to both the external world and the employees that things were not as bad as they seemed, that the company had great strengths that would ensure future success, and that people should not worry about layoffs because things would be controlled by slowing down hiring.

On the other hand, Steinberg displayed his lack of concern for his own young managers by being punitive under crisis conditions, sometimes impulsively firing people only to have to try to rehire them later because he realized how important they were to the operation of the company. This gradually created an organization built on distrust and low commitment, leading good people to leave when a better opportunity came along.

Crises around issues of internal integration can also reveal and embed leader assumptions. I have found that a good time to observe an organization very closely is when acts of insubordination take place. So much of an organization's culture is tied up with hierarchy, authority, power, and influence that the mechanisms of conflict resolution have to be constantly worked out and consensually validated. No better opportunity exists for leaders to send signals about their own assumptions about human nature and relationships than when they themselves are challenged.

For example, Olsen clearly and repeatedly revealed his assumption that he did not feel that he knew best through his tolerant and even encouraging behavior when subordinates argued with him or disobeyed him. He signaled that he was truly depending on his subordinates to know what was best and that they should be insubordinate if they felt they were right. In contrast, a bank president with whom I have worked, publicly insisted that he wanted his subordinates to think for themselves, but his behavior belied his overt claim. During an important meeting of the whole staff, one of these subordinates, in attempting to assert himself, made some silly errors in a presentation. The president laughed at him and ridiculed him. Though the president later apologized and said he did not mean it, the damage had been done. All the other subordinates who witnessed the incident interpreted the outburst to mean that the president was not really serious about delegating to them and having them be more assertive. He was still sitting in judgment on them, still operating on the assumption that he knew best.

How Leaders Allocate Resources

The creation of budgets in an organization is another process that reveals leader assumptions and beliefs. For example, a leader who is personally averse to being in debt will bias the budget-planning process by rejecting plans that lean too heavily on borrowing and favoring the retention of as much cash as possible, thus undermining potentially good investments. As Donaldson and Lorsch (1983) show in their study of top-management decision making, leader beliefs about the distinctive competence of their organization, acceptable levels of financial crisis, and the degree to which the organization must be financially self-sufficient strongly influence their choices of goals, the means to accomplish them, and the management processes to be used. Such beliefs not only function as criteria by which decisions are made but are constraints on decision making in that they limit the perception of alternatives.

Olsen's budgeting and resource allocation processes clearly revealed his belief in the entrepreneurial bottom-up system. He consistently resisted letting senior management set targets, formulate strategies, and set goals, preferring instead to stimulate the engineers and managers below him to come up with business plans and budgets that he and other senior executives would approve if they made sense. He was convinced that people would give their best efforts and maximum commitment only to projects and programs that they themselves had invented, sold, and were accountable for.

This system created problems as the DEC organization grew and found itself increasingly operating in a competitive environment in which costs had to be controlled. In its early days the company could afford to invest in all kinds of projects whether they made sense or not. In the late 1980s environment, one of the biggest issues was how to choose among projects that sounded equally good when there were insufficient resources to fund them all. The effort to fund everything resulted in several key projects being delayed, and this became one of the factors in DEC's ultimate failure as a business (Schein, 2003).

Deliberate Role Modeling, Teaching, and Coaching

Founders and new leaders of organizations generally seem to know that their own visible behavior has great value for communicating assumptions and values to other members, especially newcomers. At DEC, Olsen and some other senior executives made videotapes that outlined their explicit philosophy, and these tapes were shown to new members of the organization as part of their initial training. However, there is a difference between the messages delivered by videos or from staged settings, such as when a leader gives a welcoming speech to newcomers, and the messages received when that leader is observed informally. The informal messages are the more powerful teaching and coaching mechanism.

Steinberg, for example, demonstrated his need to be involved in everything at a detailed level by his frequent visits to stores and the minute inspections he made once he got there. When he went on vacation, he called the office every day at a set time and asked detailed questions about all aspects of the business. This behavior persisted into his semiretirement, when he would call every day from his retirement home thousands of miles away. Through his questions, his lectures, and his demonstration of personal concern for details, he hoped to show other managers what it meant to be highly visible and on top of one's job. Through his unwavering loyalty to family members, Steinberg also trained people in how to think about family members and the rights of owners.

Olsen made an explicit attempt to downplay status and hierarchy at DEC because of his assumption that good ideas can come from anyone at any level. He communicated this assumption in many formal and informal ways. For example, he drove a small car, had an unpretentious office, dressed informally, and spent many hours wandering among the employees at all levels, getting to know them personally.

An example of more explicit coaching occurred at Steinbergs when the Steinberg family brought back a former manager as the CEO after several other CEOs had failed. One of the first things this CEO did was to display at a large meeting his own particular method of analyzing the performance of the company and planning its future. He said explicitly to the group: "Now that's an example of the kind of good planning and management I want in this organization." He then ordered his key executives to prepare a long-range planning process in the format in which he had just lectured and gave them a target time to be ready to present their own plans in the new format. At the presentation meeting he coached their presentations, commented on each one, corrected the approach where he felt it had missed the point, and gave them new deadlines for accomplishing their goals as spelled out in the plans. Privately, he told an observer of this meeting that the organization had done virtually no planning for decades and that he hoped to institute formal strategic planning as a way of reducing the massive deficits that the organization had been experiencing. From his point of view, he had to change the entire mentality of his subordinates, which he felt required him to instruct, model, correct, and coach.

How Leaders Allocate Rewards and Status

Members of any organization learn from their own experience with promotions, from performance appraisals, and from discussions with the boss what the organization values and what the organization punishes. Both the nature of the behavior rewarded and punished and the nature of the rewards and punishments themselves carry the messages. Leaders can quickly get across their own priorities, values, and assumptions by consistently linking rewards and punishments to the behavior they are concerned with.

What I am referring to here are actual practices—what really happens—not what is espoused, published, or preached. For example, product managers at General Foods were each expected to develop a successful marketing program for their specific product and then were rewarded by being moved to a better product after about eighteen months. Since the results of a marketing program could not possibly be known in eighteen months, what was really rewarded was the performance of the product manager in creating a "good" marketing program—as measured by the ability to sell it to the senior managers who approved it, not by the ultimate performance of the product in the marketplace.

The implicit assumption was that only senior managers could be trusted to evaluate a marketing program accurately; therefore, even if a product manager was technically accountable for his product, it was, in fact, senior management that took the real responsibility for launching expensive marketing programs. What junior managers learned from this was how to develop programs that had the right characteristics and style from senior management's point of view. If junior-level managers developed the illusion that they really had independence in making marketing decisions, they had only to look at the relative insignificance of the actual rewards given to successful managers: they received a better product to manage, they might get a slightly better office, and they received a good raise—but they still had to present their marketing programs to senior management for review, and the preparations for and dry runs of such presentations took four to five months of every year even for very senior product managers. An organization that seemingly delegated a great deal of power to its product managers was, in fact, limiting their autonomy very sharply and systematically training them to think like senior managers.

To reiterate the basic point, if the founders or leaders are trying to ensure that their values and assumptions will be learned, they must create a reward, promotion, and status system that is consistent with those assumptions. Although the message initially gets across in the daily behavior of the leader, it is judged in the long run by whether the important rewards are allocated consistently with that daily behavior. If these levels of message transmission are inconsistent, one will find a highly conflicted organization without a clear culture or any culture at all at a total organizational level.

How Leaders Recruit, Select, Promote, and Excommunicate

One of the most subtle yet most potent ways in which leader assumptions get embedded and perpetuated is the process of selecting new members. For example, Olsen assumed that the best way to build an organization was to hire very smart, articulate, tough, independent people and then give them lots of responsibility and autonomy. Ciba-Geigy, on the other hand, hired very well educated, smart people who would fit into the more structured culture that had evolved over a century.

This cultural embedding mechanism is subtle because in most organizations it operates unconsciously. Founders and leaders tend to find attractive those candidates who resemble present members in style, assumptions, values, and beliefs. They are perceived to be the best people to hire and are assigned characteristics that will justify their being hired. Unless someone outside the organization is explicitly involved in the hiring, there is no way of knowing how much the current implicit assumptions are dominating recruiters' perceptions of the candidates.

If organizations use search firms in hiring, an interesting question arises as to how much the search firm will understand some of the implicit criteria that may be operating. Because they operate outside the cultural context of the employing organization, do they implicitly become culture reproducers or changers, and are they aware of their power in this regard? Do organizations that employ outside search firms do so in part to get away from their own biases in hiring? In any case, it is clear that initial selection decisions for new members, followed by the criteria applied in the promotion system, are powerful mechanisms for embedding and perpetuating the culture, especially when combined with socialization tactics designed to teach cultural assumptions.

Basic assumptions are further reinforced through criteria of who does or does not get promoted, who is retired early, and who is, in effect, excommunicated by being actually fired or given a job that is clearly perceived to be less important, even if at a higher level (being "kicked upstairs"). At DEC any employee who was not bright or articulate enough to play the idea-debating game and to stand up for his own ideas soon became walled off and eventually was forced out through a process of benign but consistent neglect. At Ciba-Geigy a similar kind of isolation occurred if an employee was not concerned about the company, the products, or senior management. Neither company fired people except for dishonesty or immoral behavior, but at both companies such isolation became the equivalent of excommunication.

Primary Embedding Mechanisms: Some Concluding Observations

These embedding mechanisms all interact and tend to reinforce each other if the leader's own beliefs, values, and assumptions are consistent. By breaking out these categories I am trying to show the many different ways in which leaders can and do communicate their assumptions. Most newcomers to an organization have a wealth of data available to them to decipher the leader's real assumptions. Much of the socialization process is, therefore, embedded in the organization's normal working routines. It is not necessary for newcomers to attend special training or indoctrination sessions to learn important cultural assumptions. These become quite evident through the daily behavior of the leaders.

Secondary Articulation and Reinforcement Mechanisms

In a young organization, design, structure, architecture, rituals, stories, and formal statements are cultural reinforcers, not culture creators. Once an organization has matured and stabilized, these same mechanisms come to be primary culture-creating mechanisms that will constrain future leaders. But in a growing organization these mechanisms are secondary because they work only if they are consistent with the primary mechanisms discussed above. When they are consistent, they begin to build organizational ideologies and thus to formalize much of what is informally learned at the outset. If they are inconsistent, they will either be ignored or be a source of internal conflict.

All these secondary mechanisms can be thought of at this stage as cultural artifacts that are highly visible but may be difficult to interpret without insider knowledge obtained from observing leaders' actual behaviors. When an organization is in its developmental phase, the driving and controlling assumptions will always be manifested first and most clearly in what the leaders demonstrate through their own behavior, not in what is written down or inferred from visible designs, procedures, rituals, stories, and published philosophies. However, as we will see later, these secondary mechanisms can become very strong in perpetuating the assumptions even when new leaders in a mature organization would prefer to change them.

Organizational Design and Structure

As I have observed executive groups in action, particularly first-generation groups led by their founder, I have noticed that the design of the organization—how product lines, market areas, functional responsibilities, and so on are divided up—elicits high degrees of passion but not too much clear logic. The requirements of the primary task—how to organize in order to survive in the external environment—seem to get mixed up with powerful assumptions about internal relationships and with theories of how to get things done that derive more from the founder's background than from current analysis. If it is a family business, the structure must make room for key family members or trusted colleagues, cofounders, and friends. Even in publicly held companies, the organization's design is often built around the talents of the individual managers rather than the external task requirements.

Founders often have strong theories about how to organize for maximum effectiveness. Some assume that only they can ultimately determine what is correct; therefore they build a tight hierarchy and highly centralized controls. Others assume that the strength of their organization is in their people; therefore they build a highly decentralized organization that pushes authority down as low as possible. Still others, like Olsen, believe that their strength is in negotiated solutions; therefore they hire strong people but then create a structure that forces such people to negotiate their solutions with each other—creating, in the process, a matrix organization. Some leaders believe in minimizing interdependence in order to free each unit of the organization; others believe in creating checks and balances so that no one unit can ever function autonomously.

Beliefs also vary about how stable a given structure should be, with some leaders seeking a solution and sticking with it, while others, like Olsen, perpetually redesign their organization in a search for solutions that better fit the perceived problems of the ever-changing external conditions. The initial design of the organization and the periodic reorganizations that companies go through thus provide ample opportunities for the founders and leaders to embed their deeply held assumptions about the task, the means to accomplish it, the nature of people, and the right kinds of relationships to foster among people. Some leaders are able to articulate why they have designed their organization the way they have; others appear to be rationalizing and are not really consciously aware of the assumptions they are making, even though such assumptions can sometimes be inferred from the results. In any case, the organization's structure and design can be used to reinforce leader assumptions but rarely does it provide an accurate initial basis for embedding them because structure can usually be interpreted by the employees in a number of different ways.

Organizational Systems and Procedures

The most visible parts of life in any organization are the daily, weekly, monthly, quarterly, and annual cycles of routines, procedures, reports, forms, and other recurrent tasks that have to be performed. The origins of such routines are often not known to participants—or, in some cases, even to senior management—but their existence lends structure and predictability to an otherwise vague and ambiguous organizational world. The systems and procedures thus serve a function quite similar to the formal structure in that they make life predictable and thereby reduce ambiguity and anxiety. Though employees often complain of stifling bureaucracy, they need some recurrent processes to avoid the anxiety of an uncertain and unpredictable world.

Given that group members seek this kind of stability and anxiety reduction, founders and leaders have the opportunity to reinforce their assumptions by building systems and routines around them. For example, Olsen reinforced his belief that truth is reached through debate by creating many different kinds of committees and attending their meetings. Steinberg reinforced his belief in absolute authority by creating review processes in which he would listen briefly and then issue peremptory orders. Ciba-Geigy reinforced its assumptions about truth deriving from science by creating formal research studies before making important decisions.

Systems and procedures can formalize the process of "paying attention" and thus reinforce the message that the leader really cares about certain things. This is why the president who wanted management development programs helped his cause immensely by formalizing his quarterly reviews of what each subordinate had done. Formal budgeting or planning routines are often adhered to less for producing plans and budgets and more to provide a vehicle for reminding subordinates of what the leader considers to be important matters to pay attention to.

If founders or leaders do not design systems and procedures as reinforcement mechanisms, they open the door to historically evolved inconsistencies in the culture or weaken their own message from the outset. Thus, a strong CEO who believes, as Olsen did, that line managers should be in full control of their own operation must ensure that the organization's financial control procedures are consistent with that belief. If he allows a strong centralized corporate financial organization to evolve and if he pays attention to the data generated by this organization, he is sending a signal inconsistent with the assumption that managers should control their own finances. Then one subculture may evolve in the line organization and a different subculture in the corporate finance organization. If those groups end up fighting each other, it will be the direct result of the initial inconsistency in design logic, not the result of the personalities or the competitive drives of the managers of those functions.

Rites and Rituals of the Organization

Some students of culture would view the special organizational processes of rites and rituals as central to the deciphering as well as to the communicating of cultural assumptions (Deal and Kennedy, 1982, 1999; Trice and Beyer, 1984, 1985). I suspect that the centrality of rites in traditional anthropology has something to do with the difficulty of observing firsthand the primary embedding mechanisms described earlier in this chapter. When the only salient data we have are the rites and rituals that have survived over a period of time, we must, of course, use them as best we can. As with structure and processes, however, if we have only these data, it is difficult to decipher just what assumptions leaders have held that have led to the creation of particular rites and rituals. On the other hand, from the point of view of the leader, if one can ritualize certain behaviors that one considers important, that becomes a powerful reinforcer.

At DEC, for example, the monthly "Woods meetings" devoted to important long-range strategic issues were always held off-site in highly informal surroundings that strongly encouraged informality, status equality, and dialogue. The meetings usually lasted two or more days and involved some joint physical activity such as a hike or a mountain climb. Olsen strongly believed that people would learn to trust and be more open with each other if they did enjoyable things together in an informal setting. As the company grew, various functional groups adopted this style of meeting as well, to the point where periodic off-site meetings became corporate rituals with their own various names, locales, and informal procedures.

In Ciba-Geigy, the annual meeting always involved the surprise athletic event that no one was good at and that would therefore equalize status. The participants would let their hair down, try their best, fail, and be laughed at in a good-humored fashion. It was as if the group were trying to say to itself, "We are serious scientists and business people, but we also know how to play." During the play, informal messages that would not be allowed in the formal work world could be conveyed, thus compensating somewhat for the strict hierarchy.

One can find examples of ritualized activities and formalized ritual events in most organizations, but they typically reveal only very small portions of the range of assumptions that make up the culture of an organization. Therein lies the danger of putting too much emphasis on the study of rituals. One can perhaps decipher one piece of the culture correctly, but one may have no basis for determining what else is going on and how important the ritualized activities are in the larger scheme of things.

Design of Physical Space, Facades, and Buildings

Physical design encompasses all the visible features of the organization that clients, customers, vendors, new employees, and visitors would encounter. The messages that can be inferred from the physical environment, as in the case of structure and procedures, potentially reinforce the leader's messages, but only if they are managed to accomplish this (Steele, 1973). If they are not explicitly managed, they may reflect the assumptions of architects, the organization's planning and facilities managers, local norms in the community, or other subcultural assumptions.

Leaders who have a clear philosophy and style often choose to embody that style in the visible manifestations of their organization. For example, DEC, with its assumptions about truth through conflict and the importance of open communications, chose the open-office layout described earlier. This layout clearly articulated the emphasis on equality, ease of communication, and importance of relationships. The office location in the old woolen mill also communicated Olsen's strong emphasis on frugality and simplicity. What the visitor experienced visually in this organization was an accurate reflection of deeply held assumptions, and one indicator of this depth was that the effects were reproduced in the offices of this organization all over the world.

Ciba-Geigy strongly valued individual expertise and autonomy. But because of its assumption that the holder of a given job becomes the ultimate expert on the area covered by that job, it physically symbolized turf by giving people privacy. Managers at Ciba-Geigy spent much more time thinking things out alone, having individual conferences with others who were centrally involved, and protecting the privacy of individuals so that they could get their work done. At Ciba-Geigy, as at DEC, these were not incidental or accidental physical artifacts. They reflected the basic assumptions of how work gets done, how relationships should be managed, and how one arrives at truth.

Stories About Important Events and People

As a group develops and accumulates a history, some of this history becomes embodied in stories about events and leadership behavior (Allan et al., 2002; Martin and Powers, 1983; Neuhauser, 1993; Wilkins, 1983). Thus, the story—whether in the form of a parable, legend, or even myth—reinforces assumptions and teaches assumptions to newcomers. However, since the message to be found in the story is often highly distilled or even ambiguous, this form of communication is somewhat unreliable. Leaders cannot always control what will be said about them in stories, though they can certainly reinforce stories that they feel good about and perhaps can even launch stories that carry desired messages. Leaders can make themselves highly visible, to increase the likelihood that stories will be told about them, but sometimes attempts to manage the message in this manner backfire because the story may reveal inconsistencies and conflicts in the leader.

Efforts to decipher culture from collecting stories encounter the same problem as the deciphering of rituals: unless one knows other facts about the leaders, one cannot always correctly infer the point of the story. If one understands the culture, then stories can be used to enhance that understanding and make it concrete, but it is dangerous to try to achieve that understanding in the first place from stories alone.

For example, there's a story told about Ken Olsen that when he first saw the IBM PC he said, "Who would ever want a computer in their home?" and "I would fire the engineer who designed that piece of junk." This story sends strong messages about Olsen's prejudices, but it turns out that only one of the messages is correctly interpreted. Olsen did think the PC was less elegant than what he would have wanted to produce, but his remark about computers in the home was in the context of computers *controlling* everything in the home. This remark was made at a time when fears of computers taking over all functions in our lives was very real, as viewers of the film *2001: A Space Odyssey* will recall. Olsen welcomed computers in his home as work and play stations but not as mechanisms for organizing and controlling daily activities.

Formal Statements of Organizational Philosophy, Creeds, and Charters

The final mechanism of articulation and reinforcement to be mentioned is the formal statement—the attempt by the founders or leaders to state explicitly what their values or assumptions are. These statements typically highlight only a small portion of the assumption set that operates in the group and, most likely, will highlight only those aspects of the leader's philosophy or ideology that lend themselves to public articulation. Such public statements have a value for the leader as a way of emphasizing special things to be attended to in the organization, as values around which to rally the troops, and as reminders of fundamental assumptions not to be forgotten. However, formal statements cannot be viewed as a way of defining the organization's culture. At best they cover a small, publicly relevant segment of the culture: those aspects that leaders find useful to publish as an ideology or focus for the organization.

Summary and Conclusions

This chapter examined how leaders embed the assumptions that they hold and thereby create the conditions for culture formation. Six of the mechanisms discussed are powerful primary means by which founders or leaders are able to embed their own assumptions in the ongoing daily life of their organizations. Through what they pay attention to and reward, through the ways in which they allocate resources, through their role modeling, through the manner in which they deal with critical incidents, and through the criteria they use for recruitment, selection, promotion, and excommunication, leaders communicate both explicitly and implicitly the assumptions they actually hold. If they are conflicted, the conflicts and inconsistencies are also communicated and become a part of the culture or become the basis for subcultures and countercultures.

Less powerful, more ambiguous, and more difficult to control are the messages embedded in the organization's structure, its procedures and routines, its rituals, its physical layout, its stories and legends, and its formal statements about itself. Yet these six secondary mechanisms can provide powerful reinforcement of the primary messages if the leader is able to control them. The important point to grasp is that all these mechanisms do communicate culture content to newcomers. Leaders do not have a choice about whether or not to communicate, only about how much to manage what they communicate.

At the organization's early growth stage, the secondary mechanisms of structure, procedures, rituals, and formally espoused values are only supportive, but as the organization matures and stabilizes they become primary maintenance mechanisms—what we ultimately call institutionalization or bureaucratization. The more effective they are in making the organization successful, the more they become the filter or criteria for the selection of new leaders. As a result, the likelihood of new leaders becoming cultural change agents declines as the organization matures. The socialization process then begins to reflect what has worked in the past, not what may be the primary agenda of the current leadership. The dynamics of the "midlife" organization are, therefore, quite different from those of the young and emerging organization, as will be shown in the following chapters.

Though the leadership examples in this chapter come primarily from founders, any manager can begin to focus on these mechanisms when attempting to teach subordinates some new ways of perceiving, thinking, and feeling. What the manager must recognize is that all of the primary mechanisms must be used, and all of them must be consistent with each other. Many change programs fail because the leader who wants the change fails to use the entire set of mechanisms described. To put it positively, when a manager decides to change the assumptions of a work group by using all of these mechanisms, that manager is becoming a leader.