



Aalto University
School of Business

International Business and Strategy

*Session 2: Organization culture and introduction to the
Freska case*

Agenda for today

- Defining organization culture
- Class exercise
- IB perspective on organization culture: The travel of values across borders

Break

- Introduction to the Freska case by Susanna Takkunen (COO), Meri-Kaisla Ketonen (Head of Marketing), and Roope Karjalainen (Country manager)

Readings and preparations

- Levy, O., Taylor, S., & Boyacigiller, N. (2010). On the rocky road to strong global culture. MIT Sloan Management Review, 51(4), 20-22.
- Quiz 2 based on the above article and Freska website

Organization culture

How to define a strong organization culture?

- A strong organizational culture consists of *widely shared values*, behavioural norms, beliefs and symbols
- This shared culture defines how the firm conducts business, ie. how it treats its employees, customers, suppliers and other stakeholders, who these stakeholders are and how to interact with them
- A strong organization culture – when being rare, valuable and difficult to imitate – can be a source of innovativeness, flexibility and sustained, superior financial performance

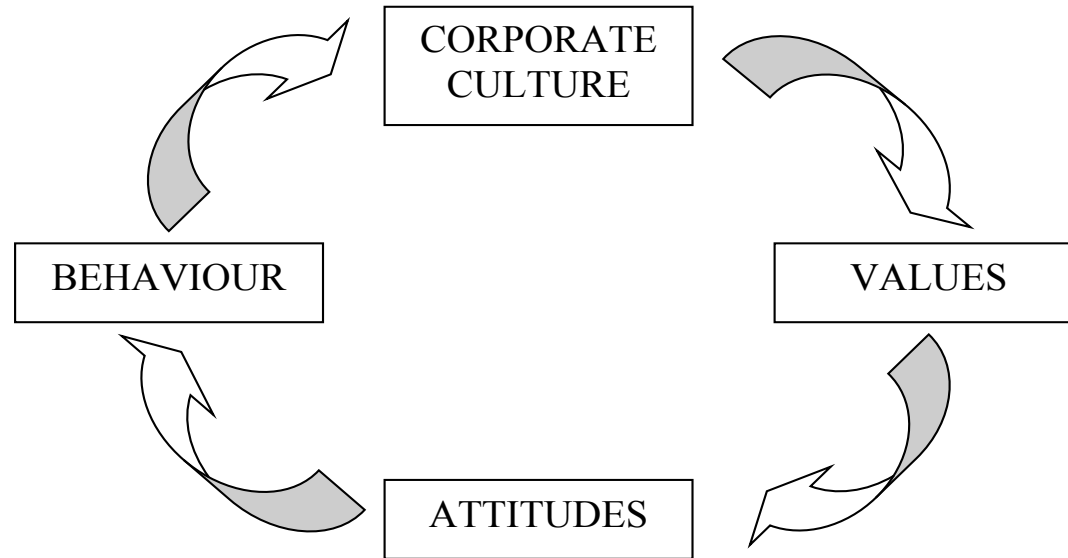
Source: Barney, J. (1986) Organization culture: Can it be a source of sustained competitive advantage? *Academy of Management Review*, 11(3), pp. 656-665.

Matti Alahuhta, former CEO and Chairman of the Board, KONE

“I use the results of the annual personnel satisfaction survey as an early indicator and predictor of how well we satisfy our customer needs”.



How organization culture works



Source:
Adler (1991)

Class exercise



Aalto University has a strong organization culture – why?

VS

Aalto University does not have a strong organization culture – why not?

The class is divided into two groups, each arguing for their own position.

Sub-cultures at Aalto University

- The independent schools prior to the merger (business, art & design and technology)
- BSc, MSc, PhD and MBA
- Faculty
- Administration
- Aalto University

Schein's model of organizational culture

Artifacts
(symbols, behaviours)

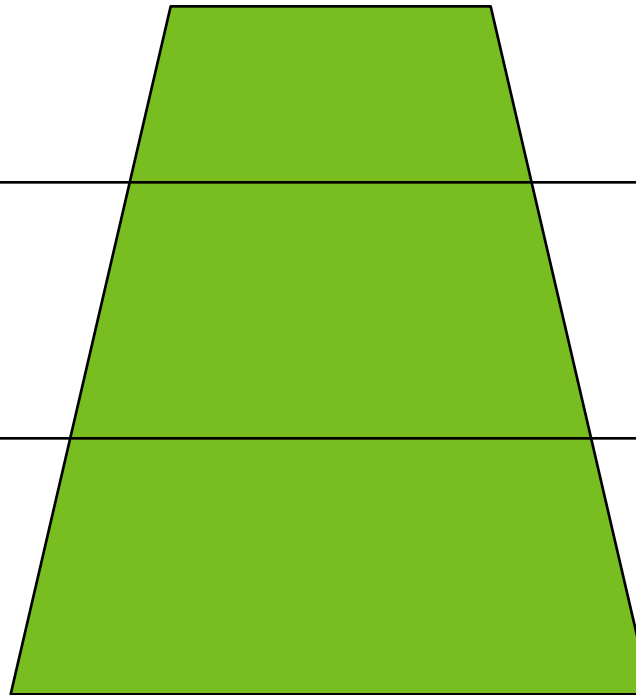
What you observe
(see, feel, hear)

Espoused values

What you are told
(what an org. wishes to be)
Normative

Basic assumptions

What participants
take for granted
Cognitive



Schein's model: Examples of artifacts

- Stories
- Formal rules
- Guidelines (pieces of paper that are widely circulated internally)
- Memos, emails, modes of communication
- Modes of interaction (arguments, elevator conversation – or lack of it)
- Wall information/art
- Use of space
- Dress
- Badges/ID
- Public documents, website, published company history
- Awards
- Titles
- Frequently-heard complaints

Example of espoused values: The generic mission statement

“We are a fast-moving, flexible, innovative, customer-oriented global company that delivers real value to our shareholders through our world-class, dedicated and high-performing employees.”

How do you get at basic assumptions?

- Thoughtful informants
- Mismatch between what you observe and espoused values:
e.g. “we value our employees” and yet the company downsizes in a time of record profits
- What happens in a crisis or disaster? What common justifications, explanations, and interpretations do you find in the organization?

A look at some artifacts: The Google website

- Google's corporate website has an entry for "Culture" that contains the following video clip of the "Googleplex"
- The 3-minute video presents many artifacts.
- Which artifacts can you identify?
- What do you think they tell you about Google's values and assumptions?
- http://www.youtube.com/watch?v=eFeLKXbnxxg&feature=player_embedded

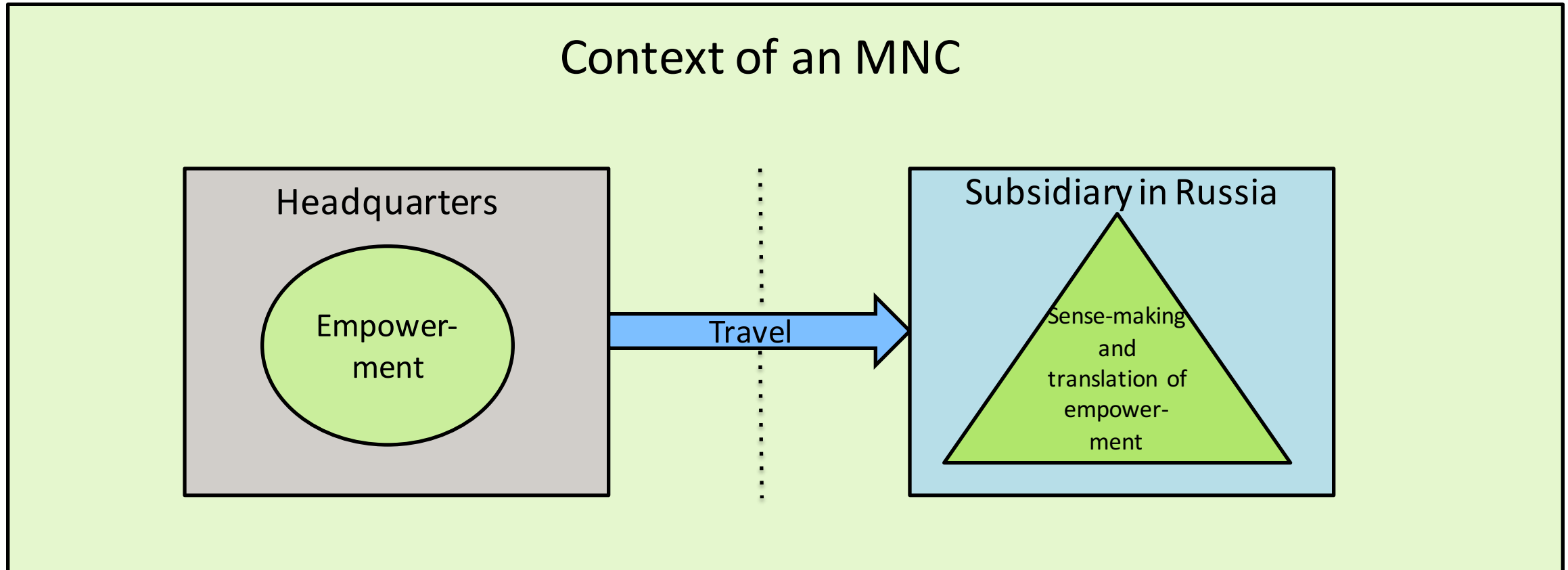
IB perspective on organization culture: The travel of organization values across borders

Translating empowerment as a value to Russia

Empowerment

- Means that employees take more responsibility for their work and have more flexibility and freedom to make work-related decisions
- Increases employee performance, well-being and positive attitudes and thus creates more productive workforce
- Is the biggest management challenge in Russia (Fey, 2008, 2011)
- no equivalent word for empowerment in either Finnish or the Russian language

Translation and localization of empowerment



Russia

- Over 140 million inhabitants
- A well educated labour supply
- Vast natural resources



Empowerment a core value in the Finnish company

Core values

- Responsibility
- Creativity
- Courage
- Trust
- Involving employees

HR and leadership principles:

- Setting clear targets and responsibilities
- Giving and receiving feedback
- Showing responsibility and initiatives
- Open communication with personnel

Interviewee comments trust and control

*“No matter if you trust, you need to periodically verify, because everybody makes mistakes. **“Trust but verify!”**”* (Top manager, male, 52)

*“My work experience comes mainly from Russia. I am used to having to check whether employees have... done as agreed. In 2009 I went to work at a production site in Finland. A guy came over to me and asked why do you need to keep an eye on us? We agreed on this. He was a joker. I then mentioned a Russian saying, **‘trust is good, but control is better’**, and consequently decreased it [control]. But I had many problems in Finland because employees felt that I supervised too much. Then I realised it and started to trust some people.”* (Expatriate from Finland, male, 49)

Interviewee comments on initiatives

*“Well, as we say, **“initiative is punished”**. If you suggest, then implement it. But in principle, if there is a reasonable suggestion that can be implemented, of course you can show initiative, but first of course discuss it with your manager.”(Employee, female, 28 years)*

“It [initiative] is welcome but depending on what kind of a task was given. Initiative needs to be agreed with me, because it can be something additional and lead to bad result.” (Middle manager, male, 42 years)

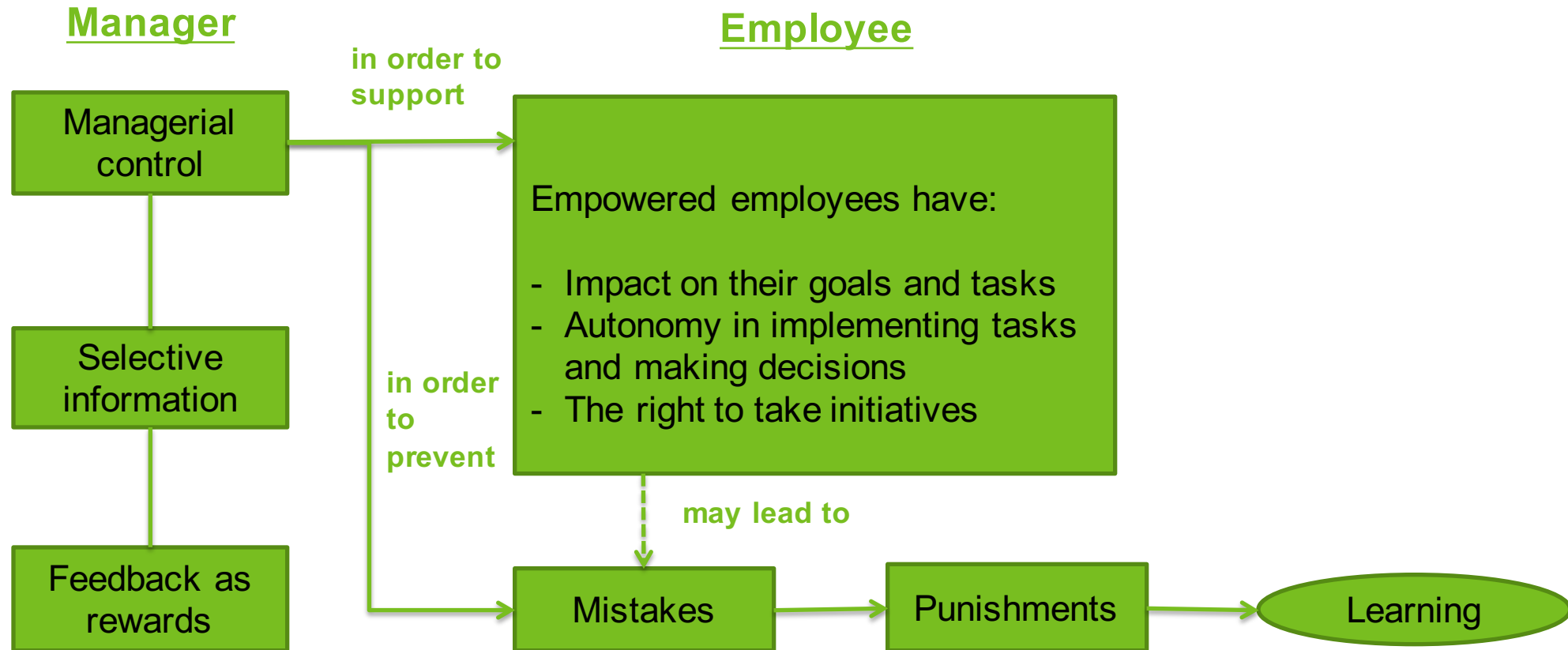
Interviewee comments on feedback

*“Not everyone needs praising, for many material rewarding is more important. **You cannot put ‘thank you’ on your bread’**. Material recognition is more important. After that come self-realization and other achievements.”*

(Employee, female, 28)



Translation and localization of employee empowerment in Russia



The advantages of strong cultures

- Guides decision-making processes and behavior at every level
- Promotes belonging and togetherness, leading to shared organizational identity and employee commitment
- Common behavioral norms, values and beliefs facilitate collaboration across borders
- Increased interpersonal and inter-unit trust



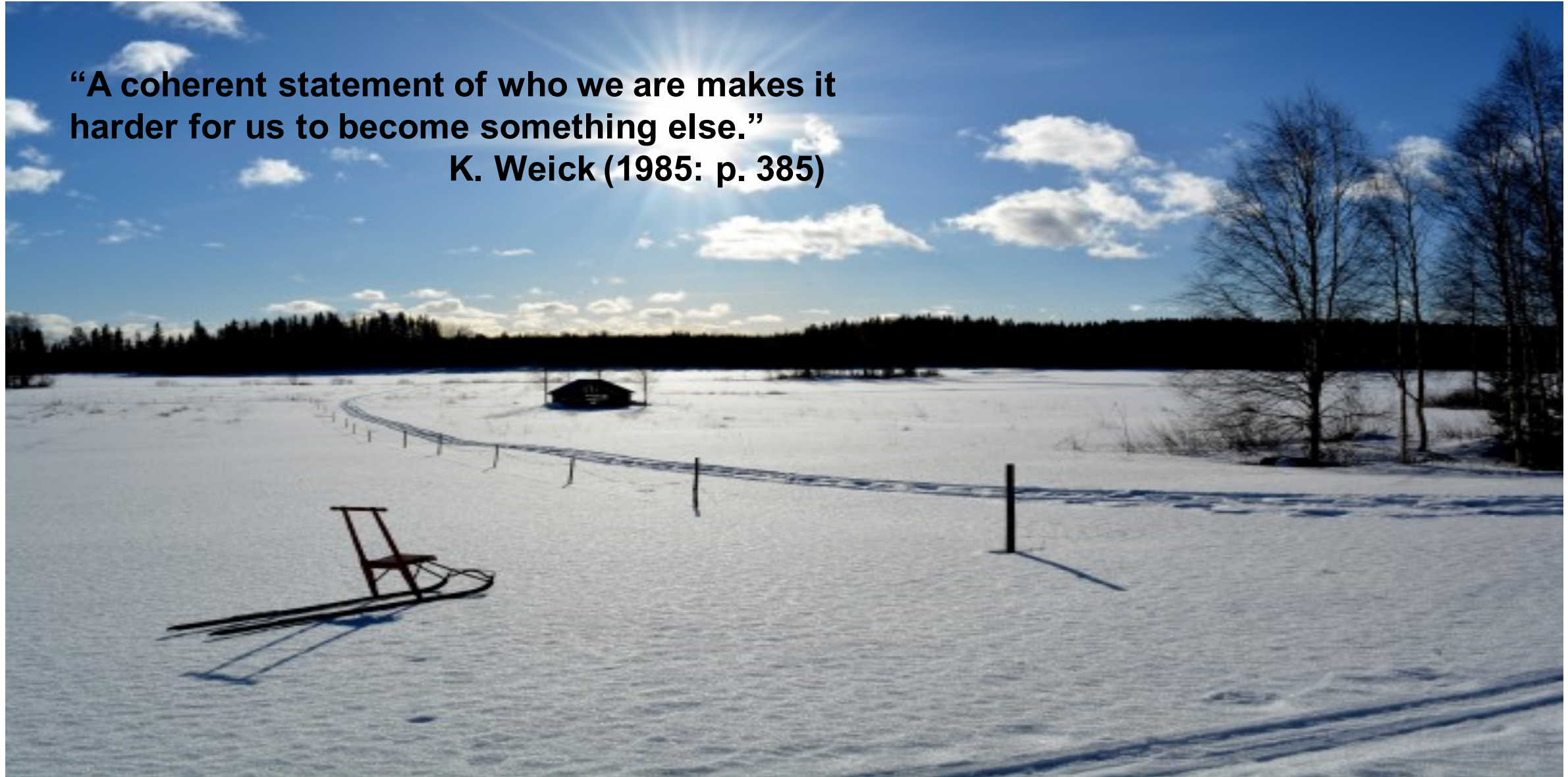
But...

- Strong cultures also tend to be associated with:
- Self-sufficiency and complacency
- Mental blindness to surroundings
- Embedded routines and traditions that are not critically evaluated
- Difficulties in implementing necessary changes in strategy and operational routines

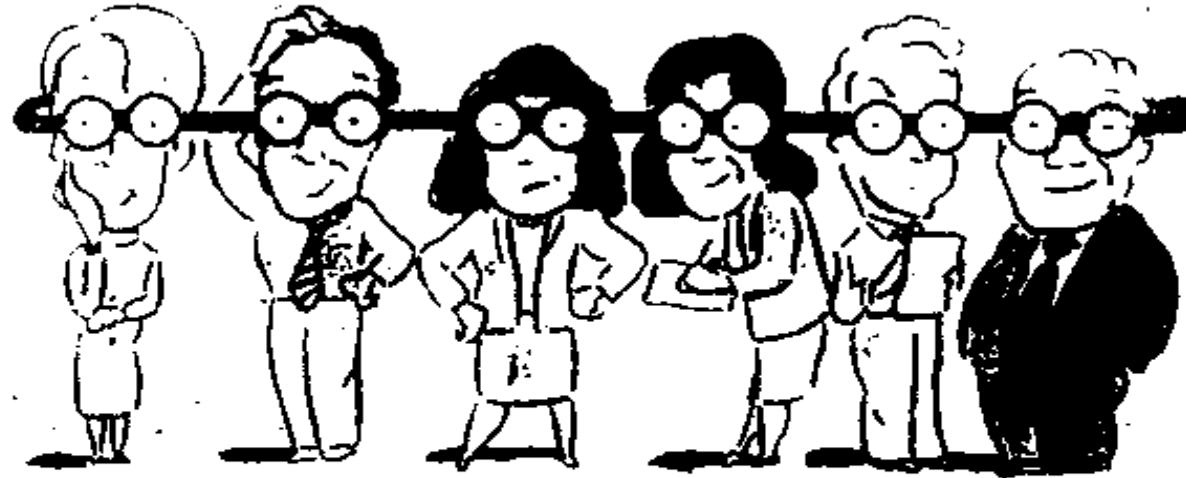
-> shared values, beliefs and norms must be challenged!

“A coherent statement of who we are makes it harder for us to become something else.”

K. Weick (1985: p. 385)

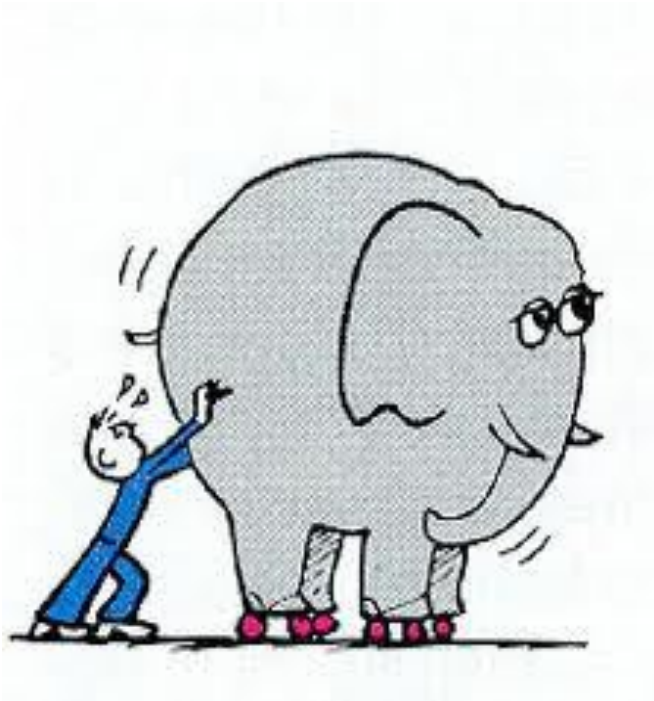


Shared Vision



Aligned mindsets, but danger of group think; lack of innovation and flexibility

Welch, AIB-UK, 1987



The potential costs of a strong culture are the “risks of inertia, myopic thinking and orientation to the past ... the ties that bind may also blind”.

Source: Staber (2003, p. 416)

Conclusion

- A global culture consisting of a set of internalized corporate values among MNC employees is an exception, and an unattainable – potentially an undesirable – goal for most companies
- Common barriers include a headquarters-centric mindset and a linear view of global culture (weak vs strong)

Source: Welch, D. and Welch, L. (1997) Being Flexible and Accommodating Diversity: The Challenge for Multinational Management, *European Journal of Management*, 15(6), 677-685; Levy, O., Taylor, S., & Boyacigiller, N. (2010). On the rocky road to strong global culture. *MIT Sloan Management Review*, 51(4), 20-22.



For Session 3: Crisis Management Initiative (CMI) Simulation

- Remember to register for the simulation today, Thursday!
- Prepare by reading Chapter 2 from the textbook
- Read the material about the conflict and roles provided by CMI on MyCourses