

# **Towards a Corporate Cultural Theory**

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“A ruling intelligentsia, whether in Europe, Asia or Africa, treats the masses as raw material to be experimented on, processed, and wasted at will”

Hoffer 1967.

### **Introduction: Cultures and Corporations**

Despite the significance and impact of corporate culture upon organisational performance, rigorous ethnographic techniques are relatively absent in the management literature. This won't do – culture is too important to be left undefined and unrefined, and analysts need a deeper awareness of the anthropological and sociological frameworks that can clarify cultural analysis. There are many cultural factors that would appear to influence the functioning of a corporation, such as having common goals, employee loyalty and commitment, clearly defined roles, strong leadership, individual and joint accountability, innovation, effective incentive mechanisms, or tolerance toward alternative cultures. This article intends to outline the Grid/Group framework (which has subsequently become known as “Cultural Theory” (CT)) from the perspective of

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corporations, to demonstrate not only *why* culture matters, but also *how* it can be analysed. It will demonstrate the relationship between the cultural factors listed, to show how they complement and conflict with each other.

The term “corporate culture” is often defined as “the way things are done around here,” where “here” refers to a particular corporation. Therefore it should be clear that corporate culture is merely a subset of a general anthropological discipline, applied to a specific context. This is important because if the methodology of a discipline takes precedence over the subject matter, an understanding of cultural phenomena must take precedence over the knowledge of corporate activity. For “corporate culture” to develop fruitfully, would require cultural theorists to visit and study corporations, rather than corporate experts and managers paying lip service to anthropology. Ultimately the study of culture within corporations requires the same theoretical tools and expertise as is used for the study of culture in “primitive” tribes or “modern” social contexts.

It is also important to consider whether a corporation is an appropriate boundary for the application of cultural analysis. In many cases an external contractor will spend more time interacting with the work habits and communal values of their immediate colleagues than their legal employer. Taking this point further, the study of corporate culture often overlooks the interaction that a company has with the local community, and the degree to which its values and activities are shaped by external factors. Appeals to “national” culture or macroeconomic conditions fail to address this issue, because they still assume a rigid firm boundary.

Ultimately a corporation is merely a type of organisation – one that is devoted to pursuing commercial transactions in a business environment – and an organisation is simply a collection of individual actors. In this article I will retain a distinction between individual choice and social environments, firmly accepting that there is reciprocal influence. After all, “Mind is as much the product of the social environment in which it has grown up and which it has not made as

something that has in turn acted upon and altered these institutions” (Hayek 1973). However the institutions that create a social environment must ultimately be traceable to individual mindsets, because all social phenomena are the consequence of individual action and plans (Mises 1998).

I wish to build this case in three phases. Firstly, I shall introduce Cultural Theory in the context of corporate management to provide a solid theoretical framework for what follows. Secondly, I will look at “ideal-type organisations,” which are conceptual exercises designed to clarify the salient characteristics of the four cultures. Thirdly, I intend to use these ideal types to shed light on the following important corporate phenomena: dealing with the whistleblower; the hidden costs of highly regulated industries; the use of internal markets; and coping with nihilism – it is my claim that Corporate Cultural Theory provides significant advances in understanding these issues.

## 1. The Grid/Group Framework

Grid/Group is a typology of social environments created by anthropologist Mary Douglas (Douglas 1996), and has been adapted, modified and applied over the subsequent years to develop into a subject of its own.<sup>1</sup> According to Douglas, “The book was an attempt to develop Durkheim’s programme for a comparative sociology of religion so that it could apply as well to Australian totemism as to modern industrial society” (Douglas 1996). Although the framework has born much fruit when applied to modern industrial *society*, it has given less attention to the study of modern *industry*, and therefore remains a relatively unknown principle amongst organisational and management scholars.<sup>2</sup>

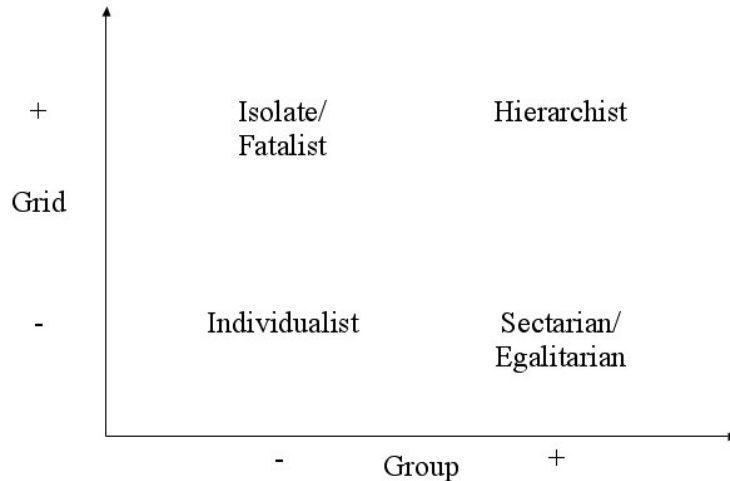
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<sup>1</sup> A shortlist of what I consider to be seminal contributions would include Douglas 1978, Mars 1982, Douglas and Wildavsky 1983, Thompson, Ellis and Wildavsky 1990, Thompson and Schwartz 1990, Adams 1995, Verweij and Thompson 2006

<sup>2</sup> A notable exception is Mars (1982) who applied Grid/Group to black markets and workplace crime, providing a convincing explanation for the environmental factors that influence various forms of “fiddling”.

The basic premise of Grid/Group is that cultural relativism can be transcended through the application of a universally applicable classification system. Competing moral systems, worldviews and ideologies are brought into the realm of comparative analysis by granting attention to different local conditions and the ways in which groups are organised. Despite having its origin in social anthropology, the system is essentially deductive and rests on two axes.

The first “group” is similar to the distinction between individualism and collectivism that exists within Hofstede (1980) and underpins much political science. It is intended to show the role of group pressure upon a person’s ego, stemming mainly from moral compulsion and the degree of group integration. By transposing another axis on top of group pressure, (creating two individualistic and two communitarian cultures) provides the innovation behind the Grid/Group framework, and demonstrates it’s value-added over simple dualism. “Grid,” the second axis, refers to the constraints created by an ordered structure, or the regulation that is imposed upon the group members. It exists when explicit rules and orders determine social opportunities and their relative ranking within the group defines their status. Therefore the more that a member of a group feels bound by a collective decision, the higher they are on the “Group” dimension. The greater the degree to which the member follows imposed rules, the higher they are on the “Grid” distinction. This blend of “Group” vs. “Grid,” of integration vs. regulation, of solidarity vs. constraint, provides the framework upon which a comparative Cultural Theory can be created.



*Fig 1: Grid/Group Diagram*

Figure 1 shows the Group and Grid framework and posits extreme conceptual classifications of “high” or “low” for both, generating four logically distinct organisational cultures. Low Grid/Low Group is typically labelled as “individualist,” demonstrating a low level of communal involvement and a negative attitude toward restrictions on freedom of choice. Low Grid/High Group is the “egalitarian” or “sectarian” culture and combines a belief in low levels of social hierarchy with a high degree of solidarity. High Grid/High Group is “hierarchist” and will favour clearly defined parameters of action and a commitment to the institutions that create them. High Grid/Low Group, the “isolate” or “fatalist,” responds to instructions and directives, in isolation from a group identity.

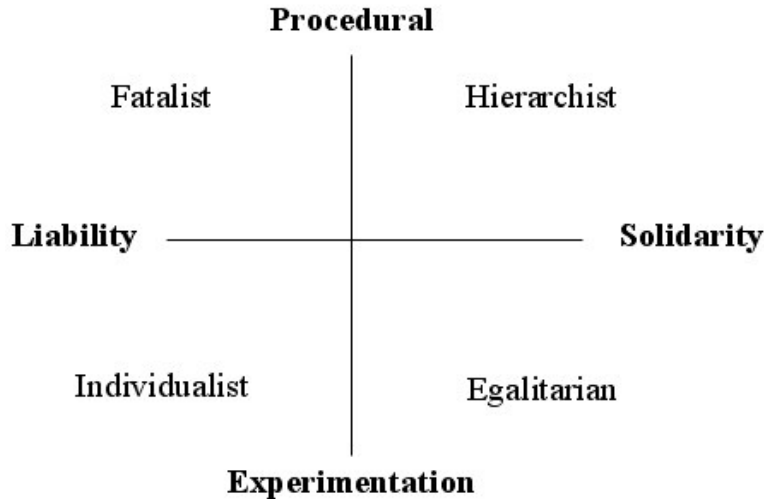
Before discussing each organisational type in more detail, it’s worth clarifying the points of tangency between Grid/Group and elements of corporate culture. If we define “low Group” as “liability,” and “high Group” as “solidarity” we have a spectrum of organisational collectivism. The two concepts are opposites in the sense that they cannot coexist: the greater the solidarity of a group, the weaker the personal liability of any member within it. This approach rejects the notion of “collective responsibility” because ultimately responsibility (like values, tastes and action) can only exist at an individual level. If everyone is liable, then no one

is.<sup>3</sup> This spectrum suggests a conflict between group harmony and the accountability that results from liability. A sense of camaraderie must forgo the threat of liability. The hierarchist and egalitarian demonstrate solidarity and will act as a collective. The individualist and fatalist favour personal liability.

We can also label “low Grid” as “experimentation” and “high Grid” as “procedural.” The utilisation of experimentation is the driving force behind innovation, dependent upon a coalition between the individualist characteristics of trial-and-error, discovery, and the entrepreneurial search for profits; and the egalitarian affection for voicing complaint, engaging in dialogue, and sharing ideas. These factors determine the ability of an organisation to adapt, evolve, and renew itself. In stark contrast hierarchy and fatalism shun novelty in favour of clearly documented processes by which tasks are undertaken. The tendency for innovation to stem from small, decentralised companies demonstrates the conflict between invention and routines. Genuine discoveries possess a serendipitous characteristic that cannot be replicated with formality and convention: the novelty of experimentation is in fundamental conflict with the procedural preservation of the status quo. On the other hand, procedures provide codification, structure and order to human relationships within an organisation. They are required to create defined job roles, responsibilities, and generate the positive connotations of leadership.

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<sup>3</sup> I am not basing my argument solely on the collective action problems associated with the “Tragedy of the Commons”. A high level of solidarity is not incompatible with effective incentives, since both are dependent on the underlying mindset. However the notion of methodological individualism mentioned in the introduction shows why liability is an individualistic concept.



*Fig 2: Corporate Culture applied to Grid/Group*

Figure 2 shows the relationship between Grid/Group and corporate culture. The degree to which the organisation values solidarity above liability shows how inclusive it is, and how much commitment is required to participate within it. An employee's allegiance to the company will demonstrate the relative balance. A strong corporate culture of procedures creates committees, regulation and rigid control of time and space. By contrast, emphasis on experimentation and discovery will generate greater freedom. The more that employees control their working conditions, the greater that experimentation is valued over processes. Focusing attention on procedures, solidarity, experimentation and liability captures the key insights of Grid/Group and can be used to begin an empirical agenda. They are useful proxies for the underlying organisational types.<sup>4</sup>

## **2. Ideal Type Organisations**

It is important to realise that the framework thus developed is universal and can therefore be applied across time and place. However this wide applicability comes

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<sup>4</sup> Bloor and Bloor (1982) and Gross and Rayner (1985) provide empirical avenues to apply these principles to real cases. In contrast to a survey approach Mars (1982) utilises a "retrospective ethnography" method that I follow in this paper. Both methods should be seen as complements.



at a cost; it is a lens to understand organisational culture, rather than a full description of reality.<sup>5</sup> For this reason there is no such thing as an “egalitarian organisation,” merely organisations that differ in the degree to which the concept of “egalitarianism” applies. Therefore we can’t categorise organisations in a simplistic fashion, labelling them neatly into one of four alternatives. Indeed the unit of analysis needs to be carefully considered because there’s no clear definition for what it should be. It’s impossible to classify an individual as being “a hierarchist” etc. for two reasons. Firstly, people will exhibit different characteristics depending on their environment, and therefore one might act in a “hierarchical” manner when chairing a conference call and an “egalitarian” manner face-to-face. Secondly, the concepts are sociological and therefore apply to cultural contexts rather than personalities. However an entire corporation is too complex and multi-faceted to be summed up as one convenient type, so what is an appropriate unit of analysis? Although talking about individuals and corporations as a particular cultural type *can* be useful as a proxy and indication of a deeper phenomenon, they are most applicable to the specific *roles* that people play within a group. In other words, we’d expect to see cultural types most clearly within distinct departments and when employees perform clear roles (which may or may not be their job description/title).<sup>6</sup> This suggests that corporate culture is best explored by focusing on departments in the first instance, since they suggest similar functions, and then expanding the analysis to individual roles. Before subjecting the framework to explain empirical phenomena, however, we must clarify the unrealistic but imaginable extreme cases.

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<sup>5</sup> If we look at Clifford Geertz’s classic distinction (Geertz 1973), Grid/Group provides the necessary cultural context to facilitate “thick description”, but as ideal-types the categories are difficult to generate “thin description”. In other words, the methodology is the reverse of typical quantitative techniques providing a holistic capability that precludes objective empiricism.

<sup>6</sup> It should be noted that by focusing on *roles* as opposed to individuals, job descriptions, or corporations we are making it considerably easier to identify fatalism than any of the three alternative cultural types. This is because a fatalistic role is very clear: it is repetitive and clearly defined.

*a. Egalitarian*

An egalitarian organisation would closely resemble a sect, since it draws stark boundaries between its own culture and that of non-members. It provides an immense sense of identity for its members, who share norms and values. Within the group there is little formality or structure and therefore no explicit leadership, creating a fragile organisation. This creates a genuine problem for the egalitarian firm to overcome, “it is prone to internal factions which eventually lead to splitting. It is well-devised for protest but poorly devised for exercise of power” (Douglas 1996). This provides further theoretical validation for the theory that companies can struggle to maintain market leadership if they’ve historically been viewed as an alternative. The visions are stark with little middle ground for compromise, and Douglas and Wildavsky (1983) show how this is the prevailing cultural mindset for fringe environmental groups. The “green revolution” that has created Corporate Social Responsibility has generated egalitarian rhetoric, but perhaps little substantive change. By contrast more recent movements toward “ethical” companies have generated more egalitarian organisations, and their growth will be constrained by the extent to which they remain egalitarian. Growth beyond a certain scale requires bureaucracy, and niche companies face a dilemma about whether to grow or retain their founding values – throughout which debate will roar and loyalty will be questioned.

*b. Hierarchist*

Douglas has defended the concept of hierarchy when it’s been applied crudely to reality, “Hierarchy is presented as a simple monolithic centralized top-down command system like a caricature of General Motors in the 1960s” (Douglas 1996), but as an ideal-type this caricature is accurate.

The fundamental concern of a hierarchical organisation is the preservation of *order*, and all systems are created with this principle as their chief goal. Clarity of roles, procedures and regulations are defining characteristics since they demonstrate the form of the order. The maintenance of order requires control,

and therefore the use of discipline and authority. When these aims are pursued they generate a detachment from personal moral judgement, and – at the extreme- invoke the collaborators who acted submissively in accordance to the chain of command, “after 1958 he [Maurice Papon] assumed charge of the Paris police, under orders from de Gaulle to ‘hold the city’ against rioting Algerian nationalists. Those orders, as usual, were carried out with maximum efficiency; in one operation in 1961 up to 200 Algerians were killed, their bodies for days afterwards dragged out of the Seine. He had done his duty, Mr Papon said later. He had kept order.”<sup>7</sup>

In the communications office of a former-Soviet nuclear bunker in Ligatne, Latvia, a sign reads “Without communication there is no order. Without order there is no communication.”<sup>8</sup> The centralised manner in which communication is organised within a hierarchical organisation shows this phrase to be classic Communist doublespeak: there can be no conversation in the sense of dialogue, merely the conveyance of instructions from one person to another. Under this system there is no dialogue, and therefore no communication.<sup>9</sup>

c. *Individualist*

An “individualistic organisation” appears to be an oxymoron, but this merely underlines how ineffective a corporation operated along such lines would be. Although the individualist/collectivist “Group” axis is similar to the dominant political fault-lines of right vs. left, it’s important to delve deeper and realise that socialism and fascism are both collectivist ideologies, in contrast to a third position of individualism. Furthermore, this libertarian use of the term is *not* what is meant in Grid/Group since it is perfectly consistent for a libertarian to have altruistic preferences. Individualism in this context goes beyond the

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<sup>7</sup> “Obituary: Maurice Papon” *The Economist* February 24<sup>th</sup> 2007

<sup>8</sup> Justin Walley “The party goes underground.” *Easy Jet Inflight* (May 2007)

<sup>9</sup> The sign really means that without *orders* there is no order and vice versa!

economic assumption of self-interest to imply selfishness and an autistic ego devoid of social norms or consideration for others.<sup>10</sup>

A corporation comprised of individualists would be a collection of Gordon Gekko's following profits regardless of respect for the law or personal integrity. Employees would stab each other in the back at any opportunity, destroying the potential for inter-firm trust or cooperation. Non-pecuniary activities would have no value, creating a short-termism and rapid turnover of personnel. In as much as teamwork is profitable to exploit a particular opportunity, groups would assemble and disband rapidly. The corporation would be a temporary alliance of opportunists.

*d. Fatalist*

An organisation comprising of fatalists would be consumed by total apathy. Members are isolated, subordinated, and passively obeying highly regimented and controlled functions. They would be automated creatures following repetitive tasks. The assembly-line producer has fatalistic elements, but for an entire organisation to be comprised of fatalists would mean that the directions were provided by external impulses: by nature, or by God. There would be no genuine action, just reaction to stimuli. As George Orwell said, "the great redeeming feature of poverty is that it annihilates the future." Notice how this explains the downtrodden, un-empowered, un-unionised underclass but in actual fact does *not* necessarily mean material deprivation. In *Roman Holiday* Audrey Hepburn plays a European princess rebelling against the strict procedures imposed upon her, demonstrating a spirit missing from a fatalist but a circumstance that's similar. Also Mars (1982) points out the fatalist's paradox whereby the fact that they abide by rules makes them powerless, and yet if they were to break the rules (and put a spanner in the works) the consequences would be severe – by the nature of their acquiescence a reversal would be grave.

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<sup>10</sup> With reference to the distinction made by Hayek (1948), we are referring to "false" individualism

All of the above paint depressing pictures of what an organisation might look like. Although in some cases we can recognise characteristics of these cases in the real world, fortunately they'll never occur in such stylised forms. It would be impossible for such organizations to exist, and consequently, any real-world analysis will create a cloudier picture than the pristine horrors just seen. As we do step into the real world though, it's imperative to retain the conceptual clarity provided by ideal-types.

### **3. Applications of Corporate Cultural Theory**

A major strength of Cultural Theory is its intuitive simplicity, lending itself well to casual empiricism. To demonstrate this, consider the following notice from a staff kitchen:

“PLEASE WASH UP AFTER YOURSELF. THERE IS NO-ONE ELSE  
HERE TO DO IT FOR YOU.”

Since a fatalist is trained to obey orders, they would be expected to follow the first command. A hierarchist would question whether this task fits into a specific person's job description, and the second piece of information says that this is a communal activity. An egalitarian would expect everyone to pitch in for the common good, and object to the first command that appeals to individual liability. The individualist would realise that communal areas are a commons, and simply free ride. The key point is that the phrasing of the notice depends upon the cultural context of the person writing it. In this instance it is presented as a procedure, and hence written by a hierarchist anticipating a fatalist audience. Although this anecdote is a useful descriptive tool, to fully demonstrate how Grid/Group can illuminate aspects of organisational behaviour we must focus on specific phenomena.

#### *a. Dealing with the whistle blower*

For any organisation effective communication channels are an important condition for renewal and innovation, and dialogue is the preserve of the

egalitarian culture. The *Financial Times* has quoted a senior executive at BP declaring, “We have a leadership style that probably is too directive and doesn’t listen sufficiently well...[a particular BP practice] needs to be deplored with great judgement and wisdom.”<sup>11</sup> These two points are in conflict, because the former laments that hierarchy overpowers egalitarianism whilst the latter sees hierarchy as a solution. Those remarks were made to his colleagues and despite the inherent contradiction can play a role in creating an in-house solution. When employees voice their criticisms to outsiders it is called “whistle blowing,” a concept that has come to the fore following Sherron Watkins lifting the lid on Enron. The term is usually defined to imply that the criticism being made is potentially damaging and is raised to an authority figure outside the immediate group (whether internally or externally). Whistle blowing is an intriguing area because, as the quote above demonstrates, it has an inherent contradiction in terms of the methods to resolve the problem. If a worker is frustrated or offended by a particular incident the common action is to do nothing: a fatalist would acquiesce and just get on with things (being a “snitch” would only make life more difficult); an individualist will be aware that whistle blowing is costly and therefore keep quiet for their own sake;<sup>12</sup> and the hierarchist would be a team-player and not want to rock the boat.<sup>13</sup> It is only an egalitarian culture that would

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<sup>11</sup> Ed Crooks, “BP set to groom successor to Browne” *Financial Times* December 19, 2006

<sup>12</sup> Peter Rost came to prominence by whistle blowing against Pfizer, and demonstrates an individualist’s regret: “Unless you’re independently wealthy, there is really no upside for you to blow the whistle”, in Joanna Breitstein, “Confessions of a Serial Whistleblower” *Pharmaceutical Executive* December 2006

<sup>13</sup> This poses a slight problem because we’ve stated that hierarchists and egalitarian’s share solidarity (high group), and yet whistle blowing can be seen as being discord, “Another reason why employers are reluctant to hire whistleblowers is because their action is seen as a breach of loyalty” (Qusqas and Kleiner 2001). This can be resolved by realising that in this instance the two cultures are defining the boundaries of the group differently. The hierarchist’s loyalty is to the threatened, whereas the egalitarian’s loyalty is to the wider community. (This could be department vs. corporation or the company vs. society). After all a sect intends to keep dissent under control but only *internally* – they are the prime producers of dissent that crosses group boundaries, which by definition occurs with whistle blowing.

produce the sense of righteousness (strong group) and empowerment (weak grid) to self-sacrifice and expose the problems.<sup>14</sup> As Applebaum and Mousseau explain, “Why observers do or do not blow the whistle...may be clarified by the theory of exit and voice” (2006). The theory of exit and voice exists within the egalitarian enclave governed by strong distinctions between internal and external, and dialogue: “Enclave is a good solution for organising protest and dissent” (Douglas 1996).

The American Institute of Certified Public Accountants provides guidance for potential whistleblowers, suggesting concerns are escalated to a higher level of management. It is striking that the regulator’s solution is hierarchical, despite the prospective whistleblower being an egalitarian phenomena: the process conflicts with the underlying values, it is senseless to “solve” an egalitarian phenomena with hierarchical mechanisms. Rather, the culture that generates whistle blowers can be actively cultivated so that information is known before mistakes arise.

Ultimately whistle-blowing is a last resort, and a sure sign of an ineffective organisation: it is the egalitarian’s damaging parting shot that contains valuable information. Effective internal communication channels would permit criticism and debate, turning the whistleblower’s knowledge into an advantage (Vinten 2003).

*b. The hidden costs of highly regulated industries*

In March 2006 six volunteers that were participating in a clinical trial in London, UK suffered multiple organ failure. They were healthy volunteers involved in a Phase I study and had been testing “TGN1412,” a drug under development for the treatment of leukaemia and arthritis. Four of the six were severely adversely affected (possibly permanently), bringing the management and regulation of

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<sup>14</sup> A point of tangency is to say that egalitarian values are more feminine than masculine, see T. Gutner, “Blowing whistles – and being ignored; women may be more naturally wired to expose corporate wrongdoing, but are there warnings taken as seriously as men’s?” *Business Week* No. 1374, 2002

clinical trials firmly into the spotlight of public debate. One application of Cultural Theory would be to present such arrangements as a coalition between individualistic pharmaceutical companies (putting profits before safety), and a ready pool of fatalistic volunteers willing to subject themselves to high risk out of desperation. Those who are shocked by this, and campaign to bring the issue to the attention of the public would be egalitarians – fearful of the unknown and rejecting the individualist nature of putting monetary values on medical practice. However I wish to discuss the clinical trials industry as generating “hierarchical” cultures on account of it being highly regulated.

Clinical trials in the UK are regulated by the Medicines and Healthcare Products Regulatory Authority (MHRA), who – as licensing authority - must grant approval for any trial to take. In an effort to harmonise practices across Europe the EU issued a Directive in 2001 that was implemented into UK law in May 2004. There are various phases of a clinical trial: Phase 0 is initial laboratory tests on animals; Phase I is closely monitored administrations to healthy volunteers to assess the safety and toxicity of the drug; Phase II expands the study to greater numbers to test efficacy and dosage; Phase III is a large scale study using patients and tests the new drug against a benchmark; Phase IV is the monitoring and surveillance of longer term effects following its launch. This sequential process was adopted to prevent the release of a dangerous drug (a false positive), but it is important to recognise the other type of error – a guilty verdict for a safe (and therefore beneficial) drug. The utilisation of statistical techniques are intended to prevent a false negative by isolating the effects of the drug under scrutiny, however, even if *all* safe drugs successfully pass through the process there is an opportunity cost associated to the time it takes to get to market. In other words, the gains from making sure a drug is 100% safe before it can be utilised means that many people don't have the chance to benefit from it. The relative attention between Type I and Type II errors demonstrates both the risk aversion and underlying values of the regulatory authorities – in this case the preference for certainty creates severe risk aversion. The 1992 Rio Declaration on Environment and Development defines the “precautionary principle” which the



British government has committed to adopting. As the name suggests it places the burden of proof on a new drug demonstrating that it isn't dangerous (in contrast to the legal tradition of presumed innocence).

Aside from the attitude towards risk, the hierarchist culture that underpins regulatory authorities can be seen in the response by the MHRA. The initial response was to suspend the study and alert national authorities of other countries so that the trials of similar drugs would also immediately cease. Investigations failed to discover any serious breach of protocol, suggesting that the pharmaceutical company sponsoring the trial and the Contract Research Organisation (CRO) that had been hired to undertake it weren't at fault.<sup>15</sup> The conclusion is that "an unprecedented biological action of the drug in humans" (MHRA Interim Report 2006) was the cause, reminding us of the inherent uncertainty at play with pharmaceutical innovation. The response to this has been the creation of a panel of experts to reassess clinical trials procedures in light of the tragic event. The underlying assumption is inherently hierarchical: the occurrence of the event is not natural (and can be managed); procedures should be modified in response; and experts are the means to do this.

*c. The use of internal markets*

The distinction between markets and hierarchies is a famous one (Williamson 1975), and the value-added of Cultural Theory is the addition of fatalism and egalitarianism to this fundamental distinction. However it's also worth incorporating the understanding that economics have over corporate organisation, especially with regard to recent attention on the rise of individualism within firms. Taylor's "Scientific Management" has been the predominant underlying model of corporate behaviour throughout the 20th,

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<sup>15</sup> Since the serious adverse effects occurred soon after the drug was administered, a greater period between treating patients might have meant that the problem was visible prior to the last patient receiving the drug. However the MHRA did not consider this to be a contravention of the guidelines.

although the flattening out of organisational structures through decentralisation or outsourcing shows a movement away from this (Sautet 2000).

The rise of remote working sees a corresponding rise in arbitrary monitoring (such as needless conference calls), and is compensated for with an increase in solidarity – hence the importance of corporate culture itself. The flatter the organisation, the more we move down the Grid axis, the more we move across the Group axis to compensate. Managers only permit freedom if their beliefs and values are aligned with their employees, so that they trust that they'll take the “right” direction. Consequently operational independence is supported by shared norms.

A fascinating extension of these principles have been implemented by Koch Industries, who replace authority-based decision-making with decentralised decision rights, as just one example of efforts to draw market mechanisms into the company (Koch 2007). But in conjunction with such movements from hierarchy to individualism, a strong emphasis is placed upon the underlying integrity of employees, and their capacity to share the management philosophy and embed it as corporate culture. As a case study it shows the degree to which supporting culture is a requisite for organisational development, and the difference between organisational mechanisms and employee values.

*d. Coping with nihilism*

The majority of a company's employees don't have a direct role in an organisations transformation, and so although a “participatory workforce” is a lofty ambition, in practice it is little more than a rhetorical gesture. Therefore managers who wish to incorporate and accommodate their entire staff must recognise the existence of a majority of passive workers. Indeed since fatalism is inextricably linked to the following of orders from above, and reforms alter those orders being sent, the act of reform can produce precisely the mindset they seek to destroy. If staff receive changing directions the rational response is to cease trying to participate and simply adapt passively to what's occurring. Indeed the

fatalist's biggest fear is that they'll be required to "participate" and relinquish the structure of their role. Fatalism isn't a motivational issue and is a legitimate and important component of a successful organisation. It should be treated with respect and not abused.

In a fatalistic company staff perform their roles with little interpersonal contact, drawing their identity and meaning outside of the workplace. I spent a year working in a fatalistic office environment, where the beginning and end of the working day were treated as stark boundaries. Colleagues would loiter outside rather than arrive early and regardless of the task being undertaken would leave work to the second of the end of a shift. The premises were on Liverpool's Albert Dock and throughout the lunch hour a hybrid bus/boat called the "Duck Bus" would occasionally drive tourists in from the city centre and float across the docks. A tradition emerged that should the Duck Bus appear we'd get another round of drinks in, regardless of how long we had left. It signified that during the working day even simple tasks would be contracted out to fate and the use of superstition.

On one occasion a disciplinary issue arose and several colleagues were summoned to a meeting with a manager. She was visibly taken aback when we all refused to inform her of the full details of what had happened, and who was to blame. In our separate roles as employees the fatalist mindset was fitting, and a crucial aspect of this is following instructions. However outside of work we had developed into a group of friends with our own sense of loyalty and solidarity that superseded the procedural values typically demonstrated at work. In other words, an egalitarian enclave had developed outside of the company's boundaries, but containing a group of colleagues. This phenomenon suggests that team-building exercises that take staff outside of the company are inherently risky. Firstly, they are resented because such egalitarian pursuits conflict with a fatalist's preference to be non-participatory. Secondly they might do more to strengthen the group bonds of an external egalitarian enclave than generate corporate solidarity. The classic example is the Christmas Party where senior management become

marginalised as the masses run amok. It is a volatile event because it merges the work environment with leisure, and relationships in each are organised in fundamentally different ways. This creates tension, and risks empowering an egalitarian minority to the detriment of the wider department. An unhappy ending to this might be a clash between a fatalist worker and a hierarchical manager in a social environment with different roles. When a colleague was fired for a Christmas Party-related misdemeanour, the attitude of the remaining enclave was typically sectarian by renouncing his group membership. I haven't seen him since, and his antics have passed into folklore.

### Conclusions: Managing with Cultural Theory

Grid/Group analysis morphed into “Cultural Theory” (CT) following contributions from Thompson, Ellis and Wildavsky (1990) and Thompson and Schwartz (1990). This expanded the four types to show that each have fundamentally different attitudes towards management; there are elements of each cultural bias in all collectives; interaction of all four biases creates a changing (and Knightian) “state of nature;” and each cultural bias has a corresponding “myth” of what this state of nature looks like. The first of these points can be seen in Table 1, and has been expanded in Evans (2007).

		Resources	
		Yes	No
Needs	Yes	<i>Individualist</i>	<i>Egalitarian</i>
	No	<i>Hierarchist</i>	<i>Fatalist</i>

Table 1: Cultural approaches to management

What this shows is that the underlying culture will determine how management issues are resolved: egalitarians look to behavioural responses; hierarchists see it as a resource/distribution issue; individualists take a mixed approach; and fatalists are apathetic. At an organisation level, comprising of all four cultures, it

should be clear that hierarchy is the natural philosophy for management, as they seek and depend upon the control and organisation of resources. The key insight of Corporate Cultural Theory is that there is a systematic explanation for management to be *fundamentally* unaligned to their underlings. They might create systems and procedures that appear perfectly logical to their eyes, but will be in conflict with the mindsets of those who are supposed to follow. They commit what Hayek termed “The Fatal Conceit” (Hayek 1988), since the rational construction of institutions pre-assumes a level of knowledge that does not and cannot be available to management. It supports a strikingly salient point made by Kenneth Boulding,

“There is a great deal of evidence that almost all organizational structures tend to produce false images in the decision-maker, and that the larger and more authoritarian the organization, the better the chance that its top decision-makers will be operating in purely imaginary worlds”

Boulding 1966.

Hierarchists favour order; individualist's liberty; egalitarian's justice; and fatalist's survival... with such alternative and (at times) conflicting fundamental values it is inherently difficult to create a flourishing organisation where all members are satisfied. Most staff incentive schemes treat all employees as having the same objectives, and even if management wish this were true, the state of nature is one of diversity. A hierarchist wants promotion, an individualist cash; egalitarian shared prizes; a fatalist more holiday allowance. This is true for corporations and society alike.

I've been reluctant to be too prescriptive because my objective is to understand complex phenomena, rather than improve any particular functioning within that environment (such as performance). The ultimate problem is that there's no consensus of what defines “good performance,” let alone any measurement. The value-added of Corporate Cultural Theory is to make management aware of the cultural foundations of an organisation, and perhaps facilitate dialogue between them. Any attempt to “improve performance” commits the Fatal Conceit because

it pre-assumes a certain mixture of egalitarianism, hierarchy, individualism and fatalism that can never be objectively determined. The best we can hope for is to judge performance, separately, in the eyes of *all* of the cultural types. According to the individualist, good performance means a high rate of revenue, profitability, and (if it's a public company), a rising share price. The egalitarian will judge performance in accordance to the role the organisation plays in its surrounding community, and the enjoyment and pleasure that the employees have in working together. To the hierarchists, a successful organisation is one that has an increasing number of employees (and therefore is growing physically with an increase in the number and scale of plants), and systems of rules that can accommodate greater numbers and maintain objective measures of efficiency. And finally, the fatalist will judge an organisation to be performing well as long as it offers stability and asks for little in return. The first step to begin prescriptive advice on corporate performance would be to accurately measure it.

In the meantime it is possible to generate useful advice, but this can only be done at a broad level. Verweij and Thompson (2006) is a set of cases split into two sections. The first look at “elegant failures” where too much attention to a particular cultural type committed the Fatal Conceit and therefore led to failure. The second section presents “clumsy solutions” where the permission of all four types to participate leads to unexpected success. Ultimately we cannot know *ex-ante* what cultural foundations are necessary. The cases in section 2 demonstrate that the nature of an industry might naturally favour a particular organisational type, however it is only through conflict that optimal solutions emerge. From both a policy *and* management point of view, facilitation and not stimulation is the bottom line.

When the defining characteristic of social life is diversity, the predominant attitude for a flourishing organisation must be that of tolerance and humility. It is only through the flux of cultural dialogue that we can *all* prosper.

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