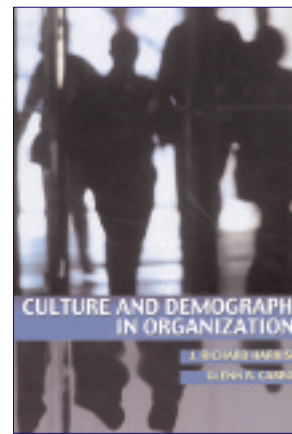


Culture and Demography in Organizations

VIEWPOINT

How and why does a company's culture evolve over time? Many factors are involved and they closely interrelate in a complex manner. Harrison and Carroll have sought answers to these questions in a very straightforward manner, using computer simulation based on a new and more dynamic model of cultural transmission.



Glenn Carroll and J. Richard Harrison are specialists on cultural maintenance and transmission in organizations; the subject has been the focus of their research for fifteen years. They have developed a mathematical model to illustrate how culture is transmitted in a social aggregate. In their book, they emphasize that "an organization's culture is, quite surprisingly, very static. The purpose of our model is to figure out why a corporate culture remains stable despite rapid and

constant changes in the environment in which the company evolves". Carroll and Harrison's work is not directly aimed at helping managers who are having trouble managing their company's culture strategically, meaning those who are having difficulties understanding how culture works and how it can be levered to increase performance. The two researchers have a purely scientific interest in the subject. Still, they have produced a mathematical model that gives us insight into the inner workings of group culture (in the broad sense), and they thus provide readers with a vast array of possible applications, particularly in the field of microeconomics.

The Authors



J. Richard Harrison is a mathematician and physicist by profession. He has been teaching strategy, organization, and international management at the University of Texas at Dallas School of Management since 1985 and has been a visiting professor and visiting scholar in numerous countries (Korea, the Netherlands, Russia, etc.). He has written an article entitled "Simulation Modelling in Organizational and Management Research" that will appear in the next *Academy of Management Review* (issue 32).

Glenn Carroll teaches sociology at Stanford University. He is co-author with M.T. Hannan and L. Polos of a book entitled *Logics of Organization Theory*, which will be published in 2007 by Stanford University.



PRODUCING A MODEL OF CULTURAL TRANSMISSION

In the 1980s, J. Richard Harrison and Glenn Carroll started channelling their efforts into conducting research to produce a new, less static approach to corporate culture. At the time, there was a tendency for researchers to think of organizations as closed systems and to analyse their culture solely according to what happened within the confines of the organization. But the two American researchers discovered another important – and until recently, largely ignored – factor that seriously influences corporate culture: demographic flow. This term refers to employee movement into and out of a company. How can a company maintain its culture over the years when there is continual movement among employees?

An original representation (see the model, opposite)

Corporate culture is represented in terms of management's cultural preferences. Each member of the organization receives a score for "cultural compatibility" that is based on his or her ability to conform to the standards laid down by management, i.e. whether or not he or she has team spirit, is innovative, aims for high performance, and so forth.

An original model

The authors have produced a model that specifically details the functions of entry (recruitment), departure (turnover), and

socialization processes within an organization. They draw their conclusions from the complicated and often unexpected interactions between these three processes.

By varying some parameters and making some changes in the model (while retaining its basic structure), it is possible to analyze its implications for different types of organization and envision different growth scenarios for organizations of varying sizes and ages.

➔ USING THE MODEL TO ENHANCE MANAGEMENT PRACTICES

Maintaining corporate culture in the long term

In his interview with Business Digest, J. Richard Harrison explains, *"Increased employee diversification has made it increasingly difficult for companies to establish a homogeneous culture. People with different backgrounds have different beliefs, norms, languages, and mindsets, and these diverse factors must meld together and become culturally compatible. In addition, high levels of mobility among these employees make the task of maintaining a coherent culture difficult, because staff retention is problematic, which increases turnover and recruitment rates. Moreover, in some cases, changes in the composition of the employment market make it difficult for managers to find new employees with the right cultural profile"*.

Reducing costs

The authors do not recommend establishing a clearly defined culture within a company – and some companies do not necessarily even need to have a culture. However, Harrison and Carroll do attempt to encourage alignment between cultural content and set management preferences. They describe tools that are available to management for influencing corporate culture and aligning it closely with managerial preferences. They include incorporating cultural selectivity into recruitment, intensifying socialization efforts, and even encouraging employees who do not conform to company culture to leave the organization. A homogeneous and well-aligned culture may lead to substantial savings in administrative costs, as the organiza-

tion can to some extent "self-manage". Once employees have internalized the practices preferred by management, they are able to work with only minimal supervision. Nevertheless, the advantages of this type of culture need to be considered in terms of related costs.

Targeting fields of action

Harrison and Carroll's model should enable managers and HR teams to identify situations and areas (recruitment, socialization, and/or turnover) which require more or less managerial effort to maintain or influence the culture. To gain maximum benefits from the model, organizations need to develop methods to measure employees' or job candidates' cultural compatibility levels over a period of time. In Harrison's view, "Very few organizations carry out such exercises in a systematic way. When managers are aware of the importance of actually managing corporate culture, they are very often unaware of the techniques at their disposal, particularly demographic strategies".

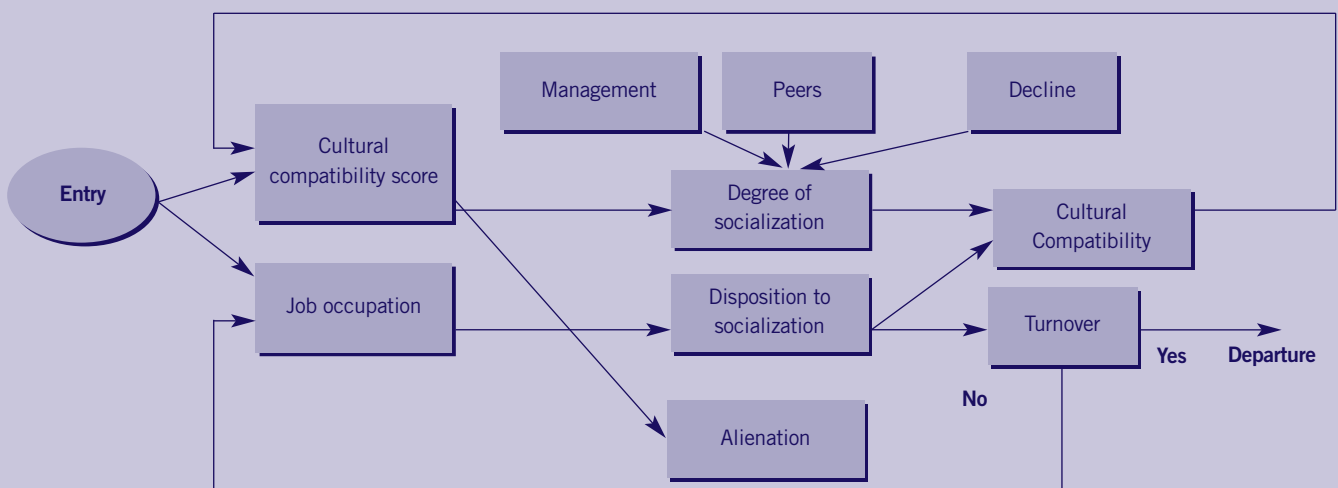
➔ MODEL APPLICATIONS

The model can be used in different contexts to detect the dynamics of corporate culture more efficiently, to intervene effectively to achieve one's goals and, in the event of a merger, to ensure the establishment of a new and durable culture. It is amazing what can be learned from this model. It even provides a better understanding of how to weaken the structure of a terrorist group (see box, p.6).

Achieving a successful cultural merger

The extreme difficulty of integrating two corporate cultures during a merger is no longer debated. But the authors note that post-merger cultural integration projects are generally based on content. They attempt to reconcile cultural elements and involve a great many compromises on operational levels. According to the authors, who advocate a more dynamic approach, this method is very limiting. Firstly, analysis is often carried out in an abstract way, and it remains very difficult ●●●

Diagram of the model



... to determine to what extent a culture can be reduced to elements like how hierarchical an organization is. Moreover, there is no theory to measure the degree of compatibility between two cultures, and judgements are generally based on intuition. Finally, since many cultural phenomena are implicit, social science can only measure the people's reactions when they are changed. So quite logically, the authors suggest studying demographic dynamics to achieve a better understanding of the mechanisms involved in cultural integration.

- Scenario development

What should companies do with regard to demographic flows and socialization processes to reduce risks of cultural conflict following a merger? The authors created a model scenario in which the acquired company has cultural characteristics that are very different from those of the acquiring company. They then observed the effects of simulated variations on the size of the two original companies, and on several of the merged company's parameters: growth rate, recruitment practices, socialization processes, and turnover rate.

- Simulation results

The outcome of the simulations revealed that demographic factors have a strong impact on post-merger cultural integration. More precisely, the new company can prevent cultural conflict by becoming more selective in post-merger staff recruitment. In addition, the new culture appears to be stronger when the acquiring company is bigger than the company that is acquired. Still, the authors emphasize that the very common practice of laying off employees from the acquired company has no impact on cultural integration, provided lay-offs are not based solely on degrees of cultural compatibility.

- Anticipatory action

When it comes to cultural reorganization, consolidation, and changes, the authors stress the need to act very quickly to faci-

litate a merger. During the 2003 HP/Compaq merger, the companies' respective presidents took the precaution of each appointing a senior executive to organize integration a month before the merger was officially announced. These managers set up a joint team of 30 people, whose role was to benchmark the best merger and acquisition practices. In addition, they appointed 650 in-house cultural consultants to work part-time on cultural integration.

A complementary management tool

Carroll and Harrison invite us to reconsider a number of generally accepted ideas. For example, high staff turnover is not necessarily synonymous with a weakening of the corporate culture. The variables that influence corporate culture are numerous and very complicated, and the authors advise us to be wary of cut-and-dried managerial practices that are based on "common beliefs". The two researchers' model enables us to take a further step forward in examining this complexity. They invite us to think of other uses for their model, such as in facilitating a change in organizational culture, as was the case at Texas Instruments after the sudden death of CEO Jerry Junkins in 1996. The model could also be useful for understanding the effects of age, gender, and ethnic diversity on an organization's degree of cultural homogeneity. As Harrison points out, "cultural management is complementary to the management of talent and skills. Understanding the effects of demographic flow will enable managers to make more informed choices about talent recruitment, retention, and development and about knowledge transmission policies". ? ■

Based on Culture and Demography in Organizations (J. Richard Harrison and Glenn R. Carroll, Princeton, December 2005) and an interview with J. Richard Harrison

Fighting Terrorism

Carroll and Harrison first applied their model in 2002 to a very topical subject and with a specific goal – understanding how to defeat terrorist organizations. A terrorist group is a social aggregate just like any other organization and would not survive without a culture. Understanding how such groups maintain and transmit their culture has enabled the two researchers to suggest highly sophisticated plans of action to be used to erode the cement that binds the group together.

Thanks to their model, Carroll and Harrison are able to understand how terrorist organizations recruit, train, and maintain the devotion of their members over time.

The researchers' conclusions certainly worried some of the American Department of Defence officials who had called upon their expertise. Not only did eliminating some of the cells in a network have no impact on the network's overall strength, but killing their leader had no effect on the network's operating ability either. Just as company leaders may

be replaced in a micro-economic environment without endangering the organization, a terrorist leader could also be immediately replaced.

However, increasingly neutralizing terrorist cell members over a long period of time appears to be a much more effective way of weakening a group. The model also suggests that delaying the admission of new members is a good way of destabilizing the organization.

But in spite of these two strategies, the model does in fact show that terrorist networks do generally succeed in retaining their operative capacities sufficiently to carry out successful operations.

The groups are strong and difficult to defeat. Dealing with the motivations behind terrorism and its root causes-- not its results-- remains the most effective means to combat these groups.