

Course 03:
Origins of Organisational /Corporate Culture

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Lectures for first-year Master's students in Business Management.

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Academic Year: 2025/2026

I. Introduction: What is Organizational Culture?

- **Definition:** Organizational culture is *“the system of shared values, beliefs, assumptions, and norms that shape how people behave within an organization.”*
- How do we work here? What is acceptable or unacceptable? What behavior is rewarded or punished?
- **Examples:**
 - Google → innovation, openness
 - Toyota → continuous improvement (Kaizen)
 - Zara → speed and responsiveness
 - Banks → risk management, compliance
- **Why culture matters:**
 - Drives strategy execution
 - Impacts performance
 - Attracts & retains talent
 - Guides behavior even without rules

II. Historical Evolution: Where Did the Concept Come From?

- **1. Early management theories (1900–1950)**
- Taylorism: focus on efficiency, not culture
- Weber: discussed “bureaucratic norms”
- Human Relations School (Mayo): first to mention social norms shaping productivity

- **2. The cultural turn (1970–1980)**
- The oil crisis, Japanese competition, and economic turbulence pushed companies to rethink management models.
- Key milestones:
- 1981: Peters & Waterman (In Search of Excellence) → culture as key to performance
- 1982: Deal & Kennedy → corporate culture as a social system in organizations
- 1985: Edgar Schein → foundational theory on culture’s layers and origins

- **3. Modern era (2000–today)**
- Digital transformation
- Start-up culture
- Remote work culture
- More transparent, global and employee-centered defining organizational culture

1. Early Management Theories (1900–1950)

- ***Key idea: Culture was not yet a concept. Management focused on structure, control, and productivity. But these early theories unintentionally laid the foundations for understanding culture.***

a. Scientific Management – Frederick Taylor (1911)

Context

- Industrial revolution → mass production → need for efficiency, standardization, and control.

Main contributions: Taylorism focused on:

- Time and motion studies
- Standardized tasks
- Scientific selection and training of workers
- Monetary incentives (piece-rate pay)
- Manager as planner; worker as executor

Impact on culture

- Taylor **did not speak about culture**, but his system *created* certain cultural patterns:
- Rigid hierarchy
- Obedience and discipline
- Individualism through financial incentives
- A culture of control and surveillance

Criticism

- Viewed workers as “machines”
- Ignored human behavior, motivation, emotions
- No focus on social relations or shared values
→ This gap later opened the door for cultural theories.

b. Max Weber – Bureaucracy Theory (1922)

Context: Need for rational, predictable administration in modern organizations.

Main contributions: Weber introduced the idea of the **ideal bureaucracy** with:

- Clearly defined roles
- Formal rules and procedures
- Hierarchy of authority
- Impersonal relationships
- Merit-based recruitment

Proto-cultural contribution

- Weber did not use the term “culture,” but he described **normative behaviors** inside organizations:
- Behaving according to rules
- Respecting hierarchy
- Formal communication
- These norms became early forms of **organizational socialization**—the foundation of culture.

Significance

- Weber showed that organizations have **values**: rationality, hierarchy, discipline.
- This is one of the first recognitions that **organizations create behavioral patterns**, which later scholars called culture.

c. Human Relations School – Elton Mayo (1930s–1940s)

Context: The Western Electric Hawthorne experiments (1924–1932).

Main contributions: The Human Relations School found that workers' productivity is influenced by:

- Social relations
- Group norms
- Sense of belonging
- Management attention (Hawthorne Effect)
- Informal groups

Cultural contribution: This was the **first time** scholars acknowledged that:

- **Social norms, group identity, and informal relations shape behavior inside organizations.**
- This directly leads to modern cultural theories.

Examples

- Workers increased output not because of lighting changes, but because they felt valued.
- Teams developed their own “norms” of acceptable productivity, regardless of pay.

Impact: The Human Relations Movement recognized:

- People are not machines
- Organizations are social systems
- Culture influences performance
- This was the first step toward the concept of “organizational culture.”

2. The Cultural Turn (1970–1980)

- ***Key idea: After several crises, companies realized that strategy and structure were not enough—culture became a critical factor in performance.***

Historical Context

- **a. The 1973 oil crisis**
 - Western companies became less competitive
 - Japanese companies were outperforming them
- b. Japan's success:** Japanese management (Toyota, Honda) emphasized:
- Teamwork
 - Loyalty
 - Lifelong employment
 - Collective decision-making
 - Quality circles

Western managers asked: → *Why are Japanese companies performing better?*
→ *Is it strategy? Structure? Technology?*
Answer: **Culture.**

- c. Growing economic turbulence:** Businesses realized that economic survival required:
- Innovation
 - Employee engagement
 - Values
 - Identity
 - Thus, researchers began exploring **organizational culture** seriously.

Key Milestones in the Cultural Turn

- **1. Peters & Waterman – *In Search of Excellence* (1981)**

Contribution : The book identified eight characteristics of successful companies, many linked to culture:

- Bias for action
- Close to the customer
- Productivity through people
- Hands-on, value-driven
- Simple structure
- Shared culture

Impact: For the first time, culture was presented as a **competitive advantage**.

Why it changed management: Boards, CEOs, and HR directors finally understood:

- Success is not only strategies, but shared values and beliefs.

2. Deal & Kennedy – *Corporate Cultures* (1982)

- **Contribution:** They argued that organizational culture is a **social system** shaped by:
- Risk level
- Speed of feedback
- Heroes
- Rituals
- Values and norms

Four culture types

- Work Hard/Play Hard
- Tough-Guy/Macho
- Process Culture
- Bet-Your-Company

Significance

- This was the first popular model showing that organizations have **distinct cultural personalities**.

3. Edgar Schein – *Organizational Culture and Leadership* (1985)

Contribution: The most influential theorist. He defined culture as:

- “A pattern of shared basic assumptions learned by a group as it solves its problems.”

Three levels of culture

- **Artifacts** (visible)
- **Espoused values** (what people say)
- **Basic assumptions** (unconscious beliefs)

Why Schein is foundational

- He explained **how cultures form**, especially through founders.
- He showed **how culture is learned and transmitted**.
- He connected **leadership and culture** strongly.

Impact

- Schein’s model remains the **standard framework** taught in universities worldwide.

3. Modern Era (2000–today)

- ***Key idea: Culture became more dynamic, global, digital, and employee-centered.***
- The 21st century brought new forms of work, technology, and expectations. Culture is no longer static; it evolves rapidly.

a. **Digital Transformation Culture:**

Characteristics:

- Innovation
- Agility
- Data-driven decision-making
- Collaboration across borders
- Fast experimentation (fail fast mentality)

Examples: Companies:

- Google
 - Amazon
 - Facebook
 - Alibaba
 - Tencent
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- Digital culture values speed, creativity, and autonomy.

b. Start-Up Culture: Start-ups generally emphasize:

- Flat hierarchy
- Informality
- High flexibility
- Risk-taking
- Passion-driven work
- Strong founder influence
- Purpose-oriented missions (e.g., “change the world”)

Examples:

- Tesla
 - Airbnb
 - Uber
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- These cultures are fast, intense, and innovation-focused.

d. Transparent and Employee-Centered Culture

Modern employees (especially Gen Z) expect:

- Inclusion
- Psychological safety
- Well-being
- Work–life balance
- Equity and fairness
- Meaning and purpose

Culture today must be:

- Open
 - Authentic
 - Ethical
 - Diverse
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- Companies failing to adapt face talent loss and reputational damage.

Gen Z refers to the generation born roughly between 1997 and 2012, known as "digital natives" for growing up with the internet and smartphones

Period	Key Focus	Main Thinkers	Cultural Contribution
1900–1950	Efficiency, rules, hierarchy	Taylor, Weber, Mayo	Early recognition of norms and social behavior
1970–1980	Explaining performance differences	Peters & Waterman, Deal & Kennedy, Schein	Culture becomes a strategic asset
2000–today	Innovation, digitalization, well-being	Tech leaders, researchers	Culture becomes dynamic, people-centered, global

c. Remote Work Culture (post-2020): COVID-19 changed work forever.

New cultural characteristics emerged:

- Virtual communication
- Asynchronous collaboration
- Results-oriented culture (fewer hours, more output)
- Greater autonomy
- Need for trust
- New rituals (Zoom meetings, online onboarding)

Companies now build culture digitally through:

- Online communities
- Remote social events
- Digital “watercoolers”

*** **Asynchronous collaboration** is a method of teamwork where members work and communicate at different times, rather than in real-time. This approach relies on tools like email, shared documents, and project management software to allow for contributions on individual schedules, reducing the need for synchronous meetings. It is particularly beneficial for teams working across different time zones or those who need more flexibility

*** **Digital "watercoolers"** are virtual spaces for informal communication and social interaction that mimic the spontaneous "watercooler" chats in an office, but are conducted online for remote or hybrid teams. These platforms help remote employees connect, build camaraderie, and break the isolation of working from home through activities like virtual games, informal chats, or dedicated online channels

III. The Roots / Sources of Organizational Culture

Organizational culture does not appear randomly. It comes from **six primary sources**:

1. The Founders (Most influential source)

Founders transfer their:

- Values
- Beliefs about people
- Attitudes towards risk, innovation, hierarchy
- Leadership style

Examples:

- Steve Jobs → Apple: creativity, perfection, closed ecosystem
- Jeff Bezos → Amazon: frugality, customer obsession
- Elon Musk → Tesla/SpaceX: speed, innovation, “hardcore” work ethic

Founders create **“cultural DNA”** that lasts even after they leave.

2. National Culture (Hofstede)

Organizations are embedded in societies. National culture influences:

- Power distance → hierarchy
- Individualism vs collectivism → teamwork, autonomy
- Uncertainty avoidance → risk-taking
- Masculinity/Femininity → competition vs cooperation

Example:

- Japanese companies: lifetime employment, harmony
- US companies: individual performance, innovation
- Germany: precision, planning
- Algeria: respect for hierarchy, relationship-based work

3. Industry Characteristics

Culture is shaped by market dynamics:

Industry	Typical Culture
High tech	Innovation, speed
Healthcare	Safety, procedures
Banking	Risk control, compliance
Education	Knowledge sharing, collegiality
Startups	Flexibility, experimentation



4. Organizational History & Life Cycle

Events create collective learning:

- Mergers
- Crises
- Successes
- Failures
- Leadership transitions

Example:

A crisis can make a culture more cautious.

A period of growth can make a culture more optimistic.

5. Internal Actors: Employees, Teams, Informal Groups

Culture emerges from:

Shared experiences

Rituals

Stories

Informal leaders

Communities of practice

Subcultures within departments

Example:

IT department → innovation-oriented

Finance → control-oriented

HR → people-oriented

6. Organizational Structure & Practices

Culture is influenced by:

- Reward systems
- Decision-making style
- Communication flow
- HR policies
- Office layout (open space vs closed)
- Technology adopted

V. Case Studies

Case 1: Google

- Origin: founders' academic background (open, experimental)
- Culture: transparency, collaboration, innovation

Case 2: Toyota

- Origin: Japanese national culture
- Culture: continuous improvement, respect for people

Case 3: A local Algerian company (you can select of your choice)

- Analyze:
- Founder's influence
- National culture values
- Rituals and norms
- Strengths and weaknesses

VII. Conclusion

- Culture is not random; it comes from identifiable sources.
- Founders play a crucial role in shaping early culture.
- National values influence organizational norms and behavior.
- Organizational culture evolves through history, crises, and successes.
- Schein's model remains the foundation of understanding culture.
- Strong cultures can be a competitive advantage — but can also create rigidity.