

Entrepreneurial Influence on Culture in Emerging Organizations??

USE Conference

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Abstract:

By the time most enterprise founders start thinking about ensuring a healthy culture in their business, it is usually too late. The culture has already emerged and is not always the most conducive to the health of the founder and enterprise employees, but not even conducive to the health of the enterprise itself. This culture of the enterprise emerges from the mind, values, and practices of the founder(s) while the business is being created, a time when the founder generally places more priority on the creation of value than the creation of culture. For this article the authors begin from the work of Schein (1992) and Cameron & Quinn (1999) to advance the understanding of organizational culture in the context of the emerging small enterprise. The article begins with the theoretical model of the “Competing Values Framework” (Cameron & Quinn, 1999) considering the core values, assumptions, interpretations, and approaches that combine to define the enterprise. The article further reviews existing organizational culture frameworks combined with a consideration of value creation and measures of success when categorized as achievement, happiness, significant, and the creation of legacy (Nash & Stevenson, 2004). Initial questions to be explored include aspects of organizational growth, employee relationships, and community engagement. Additional questions raised by the analyses of the frameworks will be further explored in a series of interviews with founders of small enterprises. The conclusions of the paper will be used in the development of entrepreneurial education and training materials related to the development and sustainability of healthy organizational cultures.

Introduction:

The culture of a business is part of its organizational capital, a resource in its own right (Barney, 1986, 1991). For a new venture, organizational culture is emergent, created through the interaction of other resources. Organizational cultures are complex, systematic resources “that contribute to the development of competitive advantage, distinguishing firms and enabling some to excel within an industry” (Brush, Greene, Hart, 2001). This approach raises two questions, one addressed only minimally in the field of entrepreneurship research and the other entirely neglected. First, how are cultures created in a new organization? While there is significant work on assessing and changing cultures, the culture creation question has received much less attention from researchers. Indeed, by the time most enterprise founders start thinking about ensuring a distinctive culture in their business, it is usually too late. The culture has already emerged and the rudiments of norms and assumptions are guiding the behaviors and actions of the firm. A lack of attention to culture early in organizational founding may not be healthy for the founder, employees or the future of the business itself. This culture of the enterprise emerges from the mind, values, and practices of the founder(s) while the business is being created, a time when the founder generally places more priority on the creation of value than the creation of culture.

The second question pertains to the relationship between the culture of a new business and the manner in which people want to live their lives. This applies both to those who create the businesses and those who

wish to work in them. Entrepreneurship education and training, as well as entrepreneurship related policies, are most often evaluated by the expectation of the creation of an economic return. In particular in these discussions, the approach to launching an organization is about the outcome, the creation of revenues, jobs, or even social good. Yet the findings that people are most often motivated to start businesses by their desire to be independent, to do things their way, are quite robust. Despite this, we rarely explicitly consider the start of a new business as a statement on who someone wants to live their life. And it is even rarer that we teach and train about how to create an organizational culture that supports a life style statement.

Organizational Culture

The recognition of the importance of organizational culture and a more intentional academic approach emerged in the 1970s and is therefore a newer academic topic (Smircich, 1983; Schein, 1988). Schein considers foundations of organizational culture to include climate, group norms, roles, values, norms (Schein, 1983; Katz & Kohn 1978). He further grounds the systematic aspects of organizational culture through an approach of “pattern of norms and attitudes that cut across a whole social unit” as described in a host of classic earlier works in organizational theory (Jacques, 1951; Likert, 1961, 1967; McGregor, 1960; Katz & Kahn, 1966). Smircich (1983) goes further to include aspects of symbolic activities (Peters, 1978; Pfeffer, 1981; Smircich & Morgan, 1982), symbolism, legends, stories, myths, and ceremonies (for the literature review see Smircich, 1983; Dandridge, Mitroff, & Joyce, 1980.).

Both Schein and Smircich make a particular contribution by examining existing approaches (at the time) to organizational culture. Schein summarizes “conceptual origins or research streams” (thereby also providing a consideration of the ways of studying organizational culture) as including 1) social psychology and survey research, 2) empirical descriptions, 3) ethnographic, 4) historical, and 5) clinical description. Smircich’s approach is rooted in a more broad array of literatures and synthesizes disciplinary concepts of “culture” and “organization” to suggest “themes” of organizational culture approaches, to include 1) Cross-cultural or comparative management, 2) corporate culture, 3) organizational cognition, 4) organizational symbolism, and 5) unconscious processes and organization (Smircich, 1983).

While there are many ways in which these lists overlap, one of the primary differences lies in Smircich’s final theme in which she draws from the structuralist approach of Levi-Strauss to posit that “Culture is a projection of mind’s universal unconscious infrastructure” (p. 342). For Schein, culture has a more instrumental element as seen in his definition of culture as “1) A pattern of basic assumptions, 2, invented, discovered, or developed by a given group, 3) as it learns to cope with its problems of external adaption and internal integration, 4) that has worked well enough to be considered valid and, therefore, 5) is to be taught to new members as the 6) correct way to perceive, think, and feel in relation to those problems” (p. 7). This approach suggests an intentionality that seems in contrast to an “unconscious process” (Levi-Strauss,).

Considering Organizational Culture

The Competing Values Framework (CVF) has a history of extensive application across many types of organizational settings and questions (Cameron & Quinn, 1999; Buenger, Daft, Conlon, & Austin, J., 1996; Goodman, Zammuto, & Gifford, B. D., 2001; Hooijberg & Petrock, 1993). Other researchers have explored the underlying assumptions, dimensions, concepts, etc.

Table 1. Summary of Schein and Competing Values Framework.

| Schein (1988) | | CVF (1999) | |
|--|--|---|--|
| Key Dimensions | Attributes | Key Dimensions | Attributes |
| Organization's Relationship to its Environment | Dominant, submissive, harmonizing, searching for a niche? | Dominant Organizational Characteristics | a) A very personal place like a family b) Entrepreneurial and risk taking c) Competitive and achievement oriented d) Controlled and structured |
| Nature of Human Activity | Dominant pro-active, harmonizing, passive fatalistic | Leadership Style | a) Mentoring, facilitating, or nurturing b) Entrepreneurial, innovative, or risk taking c) No-nonsense, aggressive, results oriented d) Coordinating, organizing, efficiency oriented |
| Nature of Reality and Truth | Definition of truth and determination of truth? (pragmatic test or reliance on wisdom) | Management of Employees | a) Teamwork, consensus, and participation b) Individual risk taking, innovation, freedom, and uniqueness c) Competitiveness and achievement d) Security, conformity, predictability |
| Nature of Time | Basic orientation and most relevant time units | Organizational Glue | a) Loyalty and mutual trust b) Commitment to innovation and development c) Emphasis on achievement and goal accomplishment d) Formal rules and policies |
| Nature of Human Nature | Humans as basically good, neutral or evil? Human nature as perfectible or fixed? | Strategic Emphasis | a) Human development, high trust, openness b) Acquisition of resources and creating new challenges c) Competitive actions and winning d) <u>Permanence</u> and stability |
| Nature of Human Relationships | Relating to each other, distribution of power, role of affection? Competition v. cooperation? Individualism v. groupism? Authority systems as autocratic/paternalistic v. collegial/participative? | Criteria for Success | a) Development of, teamwork, and concern for people b) Having the most unique and newest products and services c) Winning in the marketplace and outpacing the competition d) Dependable, efficient, and low cost |
| Homogeneity vs. Diversity | Diverse V. homogeneity; innovation v. conformity | | |

Source: Schein, add best CVF cite

For the purposes of this paper our interest builds upon these dimensions and their attributes to focus upon how the culture was created in the first place.

Organizational Culture and Entrepreneurship

Pettigrew provides us with a strong link between organizational culture and new ventures by exploring organizational culture from the perspective of "...how purpose, commitment, and order are generated in an organization both through the feelings and actions of its founder and through the amalgam of beliefs, ideology, language, ritual and myth..." (Pettigrew, 1979, p. 572). Pettigrew further helps us by stating "the essential problem of entrepreneurship is the translation of individual drive into collective purpose and commitment" (Pettigrew, 1979, p 573).

Barbara Bird's early work on entrepreneurial behavior discusses that entrepreneurs create their organizations intentionally and the values added by the organization tend to be consciously chosen (Bird, 1989). She argues that the selection of particular individuals reinforces certain principles, assumptions, values and rules, there by shaping the organization. Because founders start with their own "theories" about business, they make choices that reflect these. Day to day activities, relationships, and work norms are reflected in the choices made by founders. This is similar to work by Boeker that considers the "imprinting" of the founder on the early organization. But, the founders impact on culture may be conscious or unconscious.

More recent empirical literature on culture in new firms is small, but growing, and includes interests such as the relationship between funding sources and culture (Hamilton, 2001), the role of cognition in the creation of new ventures (Forbes, 1999), and human resource practices in new ventures (Cardon & Stevens, 2004).

Our major question is whether culture is intentionally designed or whether it is imprinted unintentionally. We propose a continuum of the manner in which founders (and potentially founding teams) deal with the development of culture. We use a 2X2 diagram to unpack a set of options. The diagram is based upon the dimensions of Intention and Attention. For intention, we explore the extent to which the creation of culture is an act of entrepreneurial design, one planned to enhance the nature of the business in pursuit of its mission. For attention, we look at the entrepreneur's commitment to designing, launching, and potentially imprinting a company culture. Each of these dimensions are then used to consider the impact on both process and outcome.

Conclusion.

This paper is a work in progress and combines a thorough literature review with a forthcoming set of interviews. The objective is to summarize what we know to date and what questions remain about how culture is created in new companies. Future research includes an extension of the questions to include the impact of factors such as the gender of the owner and institutional influences such as external cultural and economic environment. The desired outcome is to provide a foundation of knowledge for the development of entrepreneurship education materials leading to the sustainability of healthy

organizational cultures.

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