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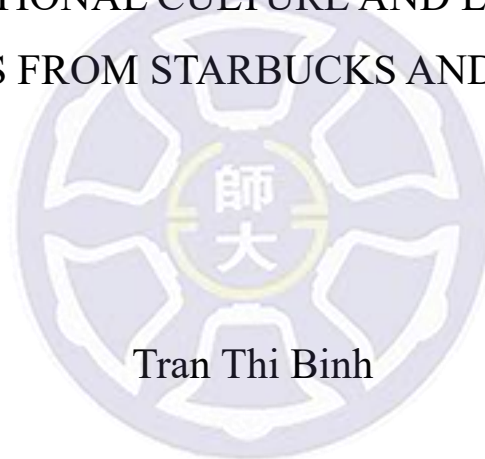
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Master Thesis

ORGANIZATIONAL CULTURE AND LEADERSHIP:  
LESSONS FROM STARBUCKS AND VIETTEL



指導教授：許書瑋 博士

Advisor : Ryan Shuwei Hsu Ph.D.

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# **Organizational Culture and Leadership: Lessons from Starbucks and Viettel**

By

Tran Thi Binh

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Approved by:

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Dr. Ryan Shuwei Hsu  
Thesis Advisor

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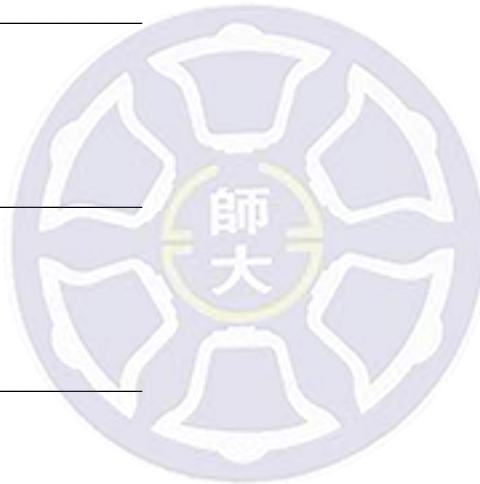
Dr. James Stanworth  
Committee Member

---

Dr. Kuan-Chou Ko  
Committee Member

---

Dr. Frank Y-H Ying  
Dean of the College of Management



Double Degree Program for International Master of Business Administration  
National Taiwan Normal University  
Taipei, Taiwan  
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After spending 14 years working on communication and marketing field, I had a pause and spent some years in Taiwan and attending this DIMBA program. It likes riding on the fast horse and then jumping down to walk. It has been amazing time for me to walk slowly to look back on things in the past and at the present more clearly and learn more. In the hindsight of my previous work for the bank, I realized that I had done some parts of the culture carrier and advisor for new top leaders after they acquired the bank. It stimulated my curiosity to investigate more about organizational culture and eventually it was great opportunity for me to learn and write this thesis on this inspiring subject.

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## ABSTRACT

I have been seen and read that the high performance's and lasting companies are usually associated to their different, unique and strong culture. So I wondered if can we consciously create and maintain a culture that help company high performing and who can mainly do this job. Obviously the one who create and manage the company is the one creating and maintaining culture of it, so called leaders. So the purpose of this thesis is to understand the narrowed subject of organizational culture, its history, its major contributors, its definition, structure, what leaders' role can do about organizational culture, how to decipher and change the culture. Over my research, I find that almost successful organization has three common building blocks of its culture: learning culture, own unique culture and ambidextrous capacity. So I would like to propose this framework to any organization to build these cultures as the foundation for its success. My knowledge is greatly influenced by Edgar Schein and his book "Organizational culture and leadership" and the book is the frequent source of reference of my first part of the thesis. Second part will be the case studies demonstrating the effectiveness and leader's awareness of company's culture, how the three building blocks of a thriving organizational culture are present in those organizations.

*Keywords:* organizational culture, leadership, learning organization, ambidextrous organization

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# CHAPTER I INTRODUCTION

## **Background, Assumption and Purpose of the Study**

There has been many researches and books about the direct effect from organizational culture to performance of an organization in both qualitative and quantitative method. Most of them proved that the organizational culture is an important factor for the success of organization and has been articulated continuously from first half of the 1980s up to now. The recognition of this phenomenon is best example by the success of Peters and Waterman's book "In search of excellence" (Peters and Waterman, 1982/2006). It is harder to have a quantitative method on the relation between organizational culture and performance since culture itself is not measured and defined as the number. However, there have been many quantitative research projects working on empirical evidence with supported hypothesis about appropriate organizational culture result higher performance for specific context. For example, Gordon and Di Tomaso had found the significant support on hypothesis: "Companies in dynamic industries perform best when their culture fosters adaptability rather than stability" (Gordon and Di Tomaso, 1992). The organizational culture recently has been mentioned excessively in knowledge-based industry, but indeed, the recognition of culture was in labor-based industry such as steel industry as well. For example: Nucor Corporation, largest steel producer in the United States of America, one Nucor's executive summed up in the interview of what had made his company from a small and underdog steel producer become and sustain its extraordinary success (the interview was conducted on 1996, and up to now (2017), Nucor is still maintaining its position), "Twenty percent of our success is the new technology we embrace...[but] eighty percent of our success is in the culture of our company." (Collins, 2001, p.156). More interestingly, organizational culture is something intangible despite of its important contribution, and somehow it is the word we created to perceive things not been seen. There are continuous exchange and influence each other between macro culture (national, ethnic... culture) and organizational culture, but in the scope of this thesis, I particularly focus on organizational culture only and bypass this interaction.

In many discussions about growing interest in organizational culture, the concept of leadership has been mentioned as crucially important. In one of the first

books on organizational culture, Schein (1985, 1992, 2010, 2016) emphasized the interrelatedness of the two concepts, Schein (Schein, 1992, p.1) wrote:

When one brings culture to the level of the organization and even down to groups within the organization, one can see more clearly how it is created, embedded, developed, and ultimately manipulated, managed, and changed. These dynamic processes of culture creation and management are the essence of leadership and make one realize that leadership and culture are two sides of the coin.

In this thesis, I examined the structure of the organizational culture that the insider or leaders of organization can identify and decipher his/her company culture in more intuitive way, how different it is with its articulated espoused culture. Also over my finding, I suggest few general directions that leaders can evolve their organizational culture toward, then combine their unique organizational culture with suggested culture that can endure their organization over time. The case study will be the illustration of how leaders created, used and recovered their organizational culture in daily practice of their company.

### **The Method of the Study**

In this thesis, I mainly summarize and recapitulate the existing ideas and knowledge to support to the purpose of this study. There is no hypothesis to be studied and answered. And based on my finding and reading, I propose one model of culture that organization could build to attain its vision. It is inevitable that I would need to read and reflect more about this subject even after thesis is finished, as thousands of researchers, teachers and practitioners out there are revising and inventing new understanding about this broad and complicated topic. In the case studies, I try to refer to the most reliable source as possible. For example: in Starbucks's case, I mainly got information from the book written by its founder, Howard Schultz; or in case of Viettel, I had some years studying and interrogating from my close friends working there about the company's culture, and combined these with some of its cultural handbook documents. I hope in this way, my interpretation from the case study will arrive closely to the reality. In my constraint of time and knowledge, I hope that this thesis can build the foundation for me to extend further understanding of this interesting field.

## CHAPTER II ORGANIZATIONAL CULTURE'S PERSPECTIVE AND STRUCTURE

### **The Brief History of Organizational Culture**

There are many definitions of and model to decipher organizational culture. In this section I address here some of most notable and influential definition and model and I would pick up one of them to use throughout my thesis.

### **The Way We Do Things Around Here**

In 1966, Marvin Bower (Managing Director of McKinsey and Company, 1950-1967) published the book *"The Will to Manage"* (Bower, 1966) which told us some of first building blocks for understanding organizational culture. From the frequent speaking of top management executives in the most successful companies, they often referred to "our philosophy" and assumed that everyone in the company knew what they are talking about. Bower defined this philosophy as "*the way we do things around here*" or the basic beliefs that people in the business are expected to hold and be guided by as they perform and conduct themselves. There is another way to express the same meaning "the way we are expected to do things around here". Bower identified five basic beliefs which he found recurring frequently and noted that once the company philosophy crystallizes, it becomes a powerful force. These five beliefs are (O'Donovan, 2006, p.33-34):

1. High ethical standards
2. Fact-founded decision-making
3. Responsiveness to internal and external environmental forces
4. Judging people on performance not personality
5. A sense of competitive urgency

### **Rites, Rituals and Ceremonies**

In the book first published in 1982, *"Corporate Culture: The Rites and Rituals of Corporate Life"* (Deal and Kennedy, 1982), Dr Terrence Deal of Harvard and consultant Allan A. Kennedy explored the force (the organizational culture) further and

tagged it as “corporate culture”. They suggested that the basis of corporate culture is an interlocking set of six cultural elements (or called the model of corporate culture which people can identify by listing observed or tacit facts based on these six elements) (summarized by Mind Tools Editorial Team):

1. **History** – A shared narrative of the past lays the foundation for corporate culture. The traditions of the past keep people anchored to the core values that the organization was built on.
2. **Values and Beliefs** – Cultural identity is formed around the shared beliefs of what is really important, and the values that determine what the organization stands for.
3. **Rituals and Ceremonies** – Ceremonies are the things that employees do every day that bring them together. Examples include Friday afternoon get-togethers or simply saying goodbye to everyone before you leave for the day.
4. **Stories** – Corporate stories typically exemplify company values, and capture dramatically the exploits of employees who personify these values in action. Stories allow employees to learn about what is expected of them and better understand what the business stands for.
5. **Heroic Figures** – Related to stories are the employees and managers whose status is elevated because they embody organizational values. These heroes serve as role models and their words and actions signal the ideal to aspire to.
6. **The Cultural Network** – The informal network within an organization is often where the most important information is learned. Informal players include:
  - Storytellers, who interpret what they see happening and create stories that can be passed on to initiate people to the culture.
  - Gossipers, who put their own spin on current events and feed people a steady diet of interesting information. Employees know not to take the information at face value; however, they enjoy the entertainment value of a gossip's story.
  - Whisperers, who have the ear of the powerful people in the organization. They can be used by anyone with a message they want taken to the top but who doesn't want to use formal communication channels.
  - Spies, who provide valuable information to top management, and let them know what really happens on a daily basis.

- Priests and priestesses, who are the guardians of cultural values. They know the history of the company inside out, and can be relied on to interpret a current situation using the beliefs, values and past practices of the company.

From above informant players in cultural network, the “Priests and priestesses” is closely to the role of recently emerging position in many large organizations such as Facebook, Google... as CCO (Chief Culture Officer). In the book “Chief Culture Officer” published in 2009, Canadian author and anthropologist Grant McCracken described this position “A person who knows culture, both its fads and fashions, and its deep, enduring structures” (McCracken, 2009). Actually, the very early adopted CCO is Google which announced this new official position in 2007, then in turn started the new trend of organizational culture’s awareness, management and dedicated resource to take care of among companies around the world in recent ten years and is still continuous.

### **A Three Layers of Organizational Culture**

In 1985, Edgar Schein (senior lecturer at the MIT Sloan School of Management) shared with us his perspective on the essence of organizational culture. According to Schein in the fifth edition of his book, a dynamic definition of culture is (Schein, 2016):

The culture of a group can be defined as the accumulated shared learning of that group as it solves its problems of external adaptation and internal integration; which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, feel, and behave in relation to those problems. This accumulated learning is a pattern or system of beliefs, values, and behavioral norms that come to be taken for granted as basic assumptions and eventually drop out of awareness.

In above text, Schein defined the culture of a group which is quite general, but it is especially true about organization since organization is simply a group of people at various sizes. Schein layered the structure of organizational culture as following:

- ✓ **Artefacts:** visible organization structures and process, including rites, rituals, etc.
- ✓ **Espoused values:** strategies, goals and philosophies
- ✓ **Assumptions:** unconscious, taken-for-granted beliefs, perceptions, thoughts and feelings.

As I have listed 3 different, historically sequential and influential definitions and models of organizational culture. In my opinion, the limitation of the first two models is that they only give us the look at the surface of the organizational culture, things that we can observe, hear and touch, but they don't give us the answer why there are such these kinds of surface. Using these first two model only help us to identify and differentiate the organizational culture of different organizations, it does not help us to recognize the cause or what make of these surfaces, what stand behind the scenes, as such, it is impossible for leaders or insiders to deeply understand their culture and role of leaders, then analyze and foster the change of culture. As it is contemporary and helps us the deeper understanding and possibly deciphering organizational culture (next chapters explain the definition, model and the methodology to decipher the culture more detail), I adopt Schein's definition and model throughout my thesis.

## **Definition of Organizational Culture**

### **Defining Organizational Culture**

The newest definition of organizational culture from Schein has been written in the previous section, here I want to focus on some addressed terminologies that are important to understand about what called organizational culture.

In the fourth edition of the book in 2010 (Schein, 2010), there was no "*accumulated shared learning*":

The culture of a group can now be defined as a pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.

"*Accumulated shared learning*" was added as the result of Edmondson's work in his book (Edmondson, 2012), there he defined culture is a shared product of shared learning. These added words were very essential element of culture's definition, because it creates new perspective on how we decipher the culture. This new definition forces us not only to look at the present, but also look back to the past, to track along historical development of organization to see how its members learned, and especially, un-learned and learned new shared assumption. For the mature organization which had several leadership and employees' generations, the un-learned and learned are apparent as the new members, particularly, leaders will impose or challenge the old assumption,

and hence the un-learning and learning might have happened at this given time if the new assumption was at winning side. It also explains well the evolution of culture over time that people in the organization interact and influence each other (learn from each other), as the result they learn new way to work together gradually.

“Solutions that have worked well enough to be considered valid”, when the group works out a solution for either internal or external facing issue, if the solution works well enough in view of the group. This solution is eventually carried for the next similar facing issue that the members of group will use the same solution without discussing any alternative. Over time the solution becomes taken-for-granted by all members when they meet the new challenge. If the solution does not work well, next time, group’s members will find another solution and drop previous failed solution. This process forms a continuous cycle and only working solution can become the requisite material for forming organizational culture.

### **What Is the Role of Leadership in Group’s Learning?**

As the group’s learning become the cultural DNA, Schein said “leadership is the key to learning” (Schein, 2016, p.14). If the group is formed without pre-assigning who is leader, then the group will go through the stage of implicitly or explicitly battling to find who influences the group. By default, with pre-assigned leader, he/she will have enough power to suppress member’ solution and set his/her own solution based on his/her assumption and perception, or in another case, the leader is the one finalize the idea by selecting one closely to his/her own solution. From organization’s inception to throughout its life, the founder is the first leader to engender the first group of people, then founder’s influence will become the cultural DNA to pass to newly joining members. In turn, those newly joining members will reinforce their learning cultural DNA to the new forming group of which they become leader later on when company expand further in terms of resources and business.

We can see it is the one-way street of cultural reinforcement in the organization, but it is noted that in the early stage of the new organization, one-way street is doable and understandable as no strong cultural DNA existed. When organization moves to stable and mature stage, the cultural DNA is reinforced long and strongly enough to create powerful force. At this stage, there will be the situation that existing cultural DNA becomes a powerful resistant force to any existing leaders or new leaders who

want to change the culture, or even it becomes the criteria to select new leader (who must align to existing cultural DNA to be nominated) for the organization. So the interaction and influence each other between force of change or new leaders' assumption and existing cultural DNA are complex and dynamic that any culture-change leader need to consider seriously.

## **A Model of How Culture Forms in New Groups**

In this section, we examine how and the process that the new group form its own culture. First, let's look at most famous and prevailing model by today of group development which was first proposed by Bruce Tuckman in 1965 (Tuckman, 1965), the model can be listed in four sequential stages and explained briefly as following: forming (*setting the stage*) – storming (*resolving conflict and tension*) – norming (*resolved disagreements and personality clashes result in greater intimacy, and a spirit of co-operation emerges*) – performing (*with group norms and roles established, group members focus on achieving common goals*). Based on Tuckman's group development model, Schein developed the similar stages corresponding with underlying process to form group's own culture. These stages are:

### **Stage 1, Forming: Finding One's Identity and Role**

In the organization, the group is brought together to perform some tasks, or is brought together to “learning” in cultural term. Schein said (Schein, 2016, p.128):

The new members automatically face the questions of *identity and role* (Who am I to be in this group?); *authority and influence* (Who will control whom in this group, and will I have my own influence needs met?); and *intimacy* (How will I relate to the other members of this group and at what level?).

For the organization with existing positional and power hierarchy, the new members have the first two questions, but the third question about “intimacy”, it will be the cultural DNA that they need to discover through stages of group's cultural “learning”. For the new forming group (across functional departments) with same positional level members, they need to find the answer by going to next stage.

### **Stage 2, Storming: Resolving Who Will Have Authority and Influence**

Members of the group will figure out the questions in the stage 1 at this stage, according to Schein (Schein, 2016, p.128):

To sort out their identity, role, influence, and peer relationships, group members begin by explicitly or implicitly confronting and testing each

other. That testing inevitably starts around the issue of authority and influence and will show up in confronting the convener and any emergent leader. The convener can “bury” the issue by being a strong chair or relying compulsively on Robert’s Rules of Order, but the issue will then surface around disagreements and challenges on the task work itself. It is for this reason that it is not wise to give a brand-new group a task; the members will work out their own identity issues around the task without paying enough attention to the task itself.

Again, the founder or leader will exert his/her influence and power at this stage as he can freeze or open up the group to any level of order or relationship. For new leader in established organization, he/she will need to resolve the conflict of his/her own perceived identity, role and peer relationship with existing cultural DNA which already set them out implicitly among rest of group’s members. There will be 3 possible results of the learning in this situation: new leader aligns with the cultural DNA and “learn”; new leader reinforces his assumption over the existing cultural DNA successfully and force the rest “learn” (this result is most unlikely since new leader will face the fierce resistance from group’s members); new leader and rest of members find the point of balance where they accept an amount of new assumption from new leader combining with an amount of concession from existing cultural DNA, resulting both sides “learn”.

### **Stage 3, Norming: Resolving at Which Level of Relationship We Want to Operate**

According to Schein (Schein, 2016, p.101), there are 3 levels of relationship that can be settled in the group at this stage, including: level 1 (Acknowledgement, Civility, Transactional Role Relations), level 2 (Recognition as a Unique Person; Working Relationships), level 3 (Strong Emotions—Close Friendships, Love and Intimacy). Please refer to Appendix A for more detail of each level. It is obvious that the higher level of relationship the group stays, the better result of the group’s work will be. But there are some factors influencing the level of relationship such as: macro culture (the West tend to maintain level 1 at workplace while working closely together, but the East seldom work closely at level 1, they tend to climb up level 2 to smoothly perform the task instead), leadership style of leaders or founders (some leaders stay distant with subordinate at level 1, some try to reach level 3 with their inner cycle of few immediate-subordinate and level 2 with extended number of employees, etc.)

### **Stage 4, Performing: The Problem of Task Accomplishment**

Once the group settles down throughout previous 3 stages, it starts to function and perform specific task. Leader's role then is to orchestrate and reach the consensus on how the group tackle the facing issue in terms of problem-solving method, the decision process and the assessment method to help the group track its progress.

### **The Structure of Organizational Culture**

According to Schein, the organizational culture can be structured to 3 layers or levels, from surface to the core, here is the list of each level in sequence and more detail of each level in subsequent sections:

- 
- 1. Artifacts**
    - Visible and feelable structures and processes
    - Observed behavior
      - Difficult to decipher
  - 2. Espoused Beliefs and Values**
    - Ideals, goals, values, aspirations
    - Ideologies
    - Rationalizations
      - May or may not be congruent with behavior and other artifacts
  - 3. Basic Underlying Assumptions**
    - Unconscious, taken-for-granted beliefs and values
      - Determine behavior, perception, thought, and feeling

*Table 2.1.* The three levels of organizational culture. Adapted from  
“*Organizational culture and leadership*” by E.H. Schein, 2016, p.18.  
Copyright 2016 by E.H. Schein.

### **Artifacts – Level 1**

Schein wrote (Schein, 2016, p.17):

We think of artifacts as the phenomena that you would see, hear, and feel when you encounter a new group with an unfamiliar culture. Artifacts include the visible products of the group, such as the architecture of its physical environment; its language; its technology and products; its artistic creations; its style, as embodied in clothing, manners of address, and emotional displays; its myths and stories told about the organization; its published lists of values; and its observable rituals and ceremonies.

Among these artifacts is the “climate” of the group. Some culture analysts see climate as the equivalent to culture, but it is better thought of as the product of some of

the underlying assumptions and is, therefore, a manifestation of the culture. Observed behavior routines and rituals are also artifacts, as are the organizational processes by which such behavior is made routine. Structural elements such as charters, formal descriptions of how the organization works, and organization charts also belong to the artifact level.

At this level, even the outsider can recognize pretty quickly by visiting and observing the space and interaction of employee to employee and employee to customers. And the outsiders and new comers might be the one consciously notice this artifact level, insiders over time will be used to it and won't be aware of it unless they consciously seek to explore their organizational culture. This level gives us the way to differentiate among organizational cultures, but if we use only this level to extrapolate or infer the underlying assumption and causal, we might get the wrong or biased answer toward our own culture background (we used to infer thing by using our own view of the world, or called through our own glass).

## **Espoused Beliefs and Values – Level 2**

Nowadays, almost every company has articulated its core values publicly (it is a part of three usual companies' published material including: vision, mission and core values). According to Schein (Schein, 2016):

All group learning ultimately reflects someone's original beliefs and values his or her sense of what ought to be, as distinct from what is. When a group is first created or when it faces a new task, issue, or problem, the first solution proposed to deal with it reflects some individual's own assumptions about what is right or wrong, what will work or will not work. Those individuals who prevail, who can influence the group to adopt a certain approach to the problem, will later be identified as leaders or founders, but the group does not yet have any shared knowledge as a group because it has not yet taken a common action in reference to whatever it is supposed to do. Whatever is proposed will be perceived only as what the leader wants. Until the group has taken some joint action and together observed the outcome of that action, there is not as yet a shared basis for determining whether what the leader wants will turn out to be valid.

Beliefs and values will be tested by the market and success of the company, if those beliefs and values have helped company sustain and grow, later they will be written down as the espoused beliefs and values. There are some cases where leaders recognize that to keep pace with the change of market, company needs to pursue one or set of new values and beliefs which added to existing ones. Then the articulated beliefs

and values will be the set of practiced and pursuing ones, not just what have been done successfully. This set of beliefs and values also serve as the guiding principle for members of the organization to deal with any facing issues or difficult events which then can be taught to new comers. Such beliefs and values often become embodied in a “organization philosophy”.

It is important to note that from these embodied beliefs and values, there will be a situation which the group’s articulated are not congruent with in-used beliefs and values, then creating the behavior called *observed* behavior instead of *desired* behavior (Argyris & Schon, 1978, 1996). It is the clue for cultural analyst to analyze further the difference in practice and theory of these principles inside the organization so that the organization being informed and aware of its current reality.

### **Taken-for-Granted Assumption – The Cultural DNA – Level 3.**

This level is the shared learning when the group perform the tasks. When members first time bring their own unconscious basic assumption, beliefs and values into the table, then going through the stages of group’s learning, the solution is found and applied. If the solution to a problem works repeatedly, it become taken-for-granted. It’s like firstly it is the hypothesis, then is proved over and over many times in reality and then people believe in it and bring it deep down that bypassing their awareness. This is also called the cultural DNA, Schein said (Schein, 2016):

Cultural DNA: the beliefs, values, and desired behaviors that launched the group and made it successful. This early level of beliefs, values, and desired behavior becomes nonnegotiable and turns into taken-for-granted basic assumptions that subsequently drop out of awareness” (p.7).

Culture as a set of basic assumptions defines for us what to pay attention to, what things mean, how to react emotionally to what is going on, and what actions to take in various kinds of situations. After we have developed and integrated a set of such assumptions, we will have created a “thought world” or “mental map.” We will then be most comfortable with others who share the same set of assumptions and very uncomfortable and vulnerable in situations where different assumptions operate because either we will not understand what is going on, or, worse, we will misperceive and misinterpret the actions of others (Douglas, 1986; Bushe, 2009).

Culture at this level provides its members with a basic sense of identity and defines the values that provide self-esteem (Hatch & Schultz, 2004). Cultures tell their members who they are, how to behave toward each other, and how to feel good about

themselves. Recognizing these critical functions makes us aware why “changing” culture is so anxiety provoking. (p.22-23).

Since it is out of our consciousness, it becomes our filter glass to view the world, and sometimes distort the data or bias to our own inference. For example, if our past experiences or critical events make us assume that people will take advantage of us when they have opportunity, we tend to seriously interpret people’s effort to make friend with us as the technique to make advantage of us and we tend to defend ourselves against. Particularly in the organization, leader’s basic assumption could lead to very specific organizational structure, climate and processes. If the founder and leader assume that people are naturally lazy, when they see employee are going out having coffee, they will infer that employee is buying time and avoids of working. Vice versa, if leaders assume people are creative and motivated to work, when they see the same scene, they might see it as normal that employees need to have a break or spare time to refill energy or spark a creative idea.

The importance and impact of this layer can be exemplified by Netflix (company providing streaming media and video-on-demand online) founded by Reed Hastings and Marc Randolph in 1997. The founders had one of basic assumptions that people are mature and being trusted (McCord, 2014). Base on this basic assumption, company has no policy on how many days that employees can take leave and no policy on office hours. Employees can plan for themselves day off and working times as long as no impact on deadline and result of their task. Also there is no policy on business trip, employees can take any transportation as long as it’s at the best company’s interest. There is no limit on raising salary, Netflix will pay higher than any company out there offering to its employees, etc. We can see that only from one basic assumption about human nature, the set of processes and structure are setup to hinge upon it.

Sometimes, different basic assumptions among people make situation worse and damage their trust toward each other even they are at the same company as following story. U.S manager was assigned to go and manage a team in China. As US’s pragmatic tradition takes it for granted that solving the problem has highest priority, but Asian people have the ingrained assumption that good relationship and saving the boss’s face are more important than solving the problem. So when US manager told his subordinates about his given solution, the subordinate nodded his head without confronting his manager in front of other employees though he knows that solution won’t work. If the US manager does not have called “Culture Intelligence” to

understand what would mean, he will definitely believe this solution is right and tragic result is inevitable. Conversely, if US manager understand his subordinate's expected behavior in given culture context, he might find another suitable one-to-one private context that his subordinate can confront him to find better solution.

The implicit and unconscious assumption often deal with fundamental aspect of life, Schein listed some of basic assumption that people have: (Schein, 2016, p.25) "*the nature of time and space; human nature and human activities; the nature of truth and how we discover it; the correct way for the individual and the group to relate to each other; the relative importance of work, family, and self-development; the proper role of men and women; and the nature of the family*".

From my perspective, the basic assumption level of organizational culture might not only include above types. It also includes the beliefs, values, thinking and methodology that the organization has been used and applied successfully in business life because gradually through proven practice, these will be out of awareness and taken for granted by organizational members. In other words, beside very basic assumptions listed above, the basic assumption level includes any belief, value, approach, thinking system, etc. which have been used by organizational members and have not been articulated publicly. At first, I often confused in differentiating the beliefs and values level with basic assumption level because company usually articulate its values and beliefs that resemble basic assumption rather, so should these values and beliefs be categorized at level two or level three. Using my perspective not only help me to identify easily what belong to level two or deepest level, but also illustrate the important aspect of organizational culture that it is always in motion, that there is continuous and subtle growth, evolution and movement of cultural atoms from its outer level to its ingrained cultural DNA and vice versa.

### **The Metaphor of Organizational Culture and Personal Culture**

To make it easier to imagine about the structured levels of organizational culture, I adapt the metaphor from Schein as below figure 2.1. This metaphor can show us concept of organizational culture's levels and role of leadership in this scene.

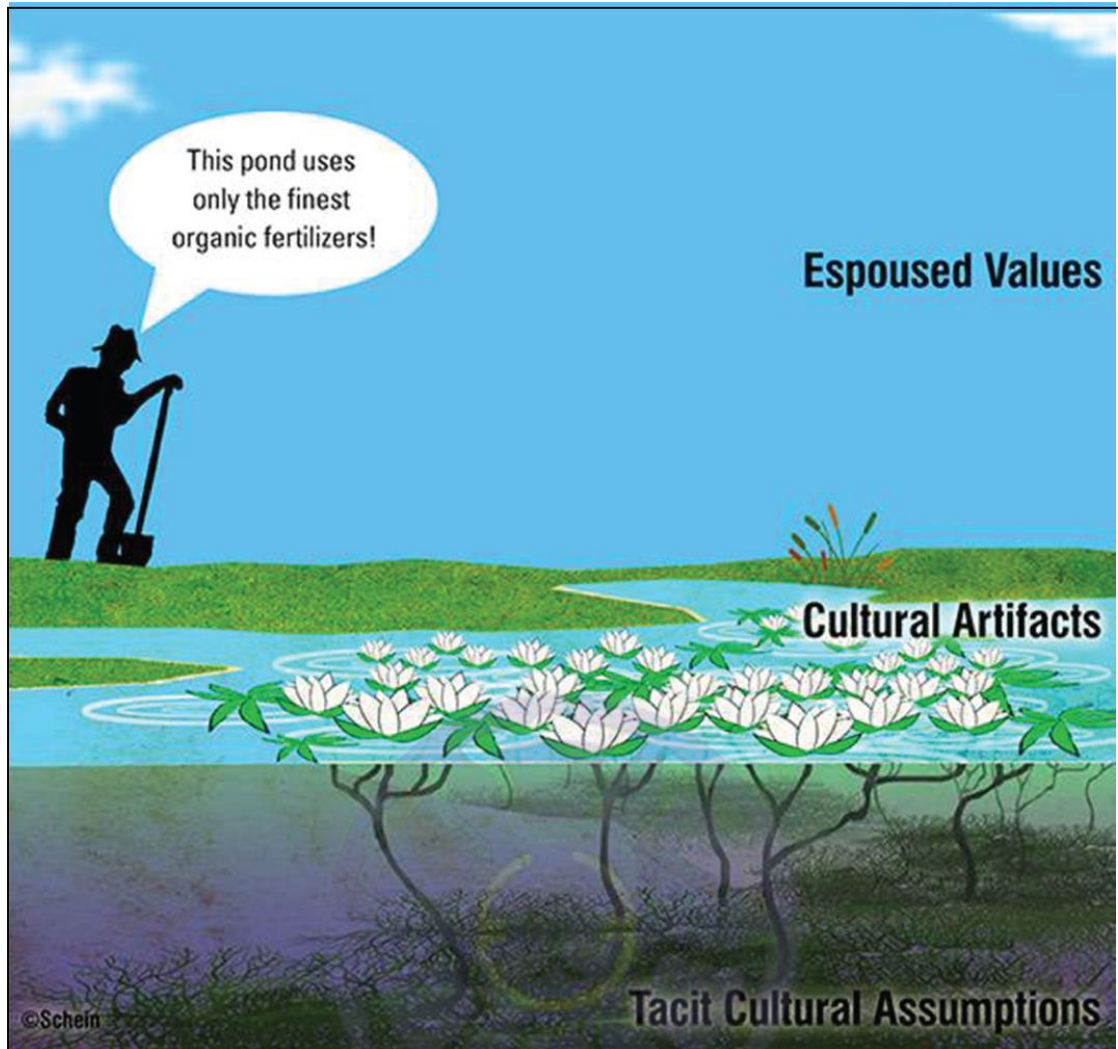


Figure 2.1. The lily pond as a Metaphor for levels of Culture. Adapted from “Organizational culture and leadership” by E.H. Schein, 2016, p.26. Copyright 2016 by E.H. Schein.

The farmer is the founders, or in other case is the top leaders of the organization who are taking care of organization. The leaves and blossoms on the surface of the pond are “artifacts” that we can see and assess. The espoused beliefs and values are the method of planting and growing that farmer announces to pursue or has done to have expected lily’s leaves and blossoms (artifacts), such as: in what month or season he wants to have the blossom, what period and amount of fertilizer he puts, how he monitors lily to prevent any worm or disease that will harm the blossoms, etc. These espoused beliefs and values are followed by farmer’s experience, prevailing and rational perception. But the leaves and blossoms are not only produced by just the methods of planning and growing from farmer, but also affected by how their root, the

underlying land beneath the water, water's quality and quality of the seeds. These factors are usually out of awareness of the farmer or it is hard and takes more conscious efforts to be identified and assessed by the farmer in normal situation because they are all covered and hidden under the water. These factors are basic assumptions. There are some situations that take the notice of the farmer if he recognizes that his lily could not produce the blossoms as he expected although he used all the modern method and diligently takes care of lily because of these hidden factors. As the same circumstance in organization, if the beliefs and values are not congruent with basic assumptions, soon or later the surfaces or artifacts of culture will be different with what we expected from espoused beliefs and values.

This lily pond implies a very important principle of changing the organizational culture. On the occasion that the color of lily's flower is not as expected, like the behaviors of employee or business's results are not as expected from espoused values and beliefs. What usually farmer or leader will do is that they focus on temporary solution to put the stimulus to force lily to grow and give the expected color or even more sadly that the farmer will paint the flower; like the leaders in the organization will do that they force the change in the surface level such as: new behavior, new organizational structure, deploying new technique to mask or disguise the business's result, etc. These actions might fix the issue in short-term, but the issue will eventually become worse in long-term. What is the long-term and permanent solution for the lily's blossom's color? Might be it is good to check that if the method to plant and grow are rational, then the lowest and unseen factors need to be examined such as the seed, underlying soil, water's quality... to make sure they are congruent with the planting method. If they are not congruent, perhaps changing the lowest level (find the appropriate seed, refine water and underlying soil...) will produce the best chance of success. The same in organization, that culture change should be first examined down to deepest level, and the long-term and sustainable change are from this level rather.

### **Personal Culture.**

Perhaps when we look back the first definition of organizational culture "the way we do thing around here", how about if we change the word "we" to "he/she" or "I", then "the way I do thing around here" infers to personal characteristics. It is relevant to say it is the personal culture. In the last words of the book, Schein said "*So I am*

*joining the millions of philosophers who have said “know thyself.” My twist on that is “know the cultures that are inside you.”*” (Schein, 2016, p.354). Looking this way, our personal culture also can be divided to three levels as with organizational culture. “Artifacts” is the way we talk, our appearance, gesture, skin, smile, climate surrounding us that people can feel, our achievement, history, etc. Espoused beliefs and values are the same what is our belief that our mind applies when we think and solve every matter of our lives. Our basic assumption is something deeper and taken for granted, that our response suddenly comes out without a pause for rational thinking.

There was tragic story, but it is an example of basic assumption of person can really drive his action. In the night of February 3, 1999, Diallo from Guinea, 22 years old, living in the poorest neighborhood in New York, went down stair and stood in front of the door. When the group of police officers was patrolling and catching Diallo standing at the street side. Two of them got out of the car and approached to Diallo, then Diallo who was terrified by armed men and his inability to speak fluent English ran back to the door and was chased by those police men. At the door, Diallo put his hand to his jean’s pocket and pull out a black object. Police men fired into him as they thought black object is the gun, indeed it was the wallet (Gladwell, 2012, p.91). I wonder if Diallo had been living at the better place where the criminal records were set lower, would this tragedy had happened. Though US police system proclaimed the values that they don’t discriminate against people in any places and react to any situation radically and thoughtfully. But I think the basic assumption of those police officers who had experienced many bad cases against peoples living there was ingrained that the more sensitivity must be given to those people comparing with less criminal records’ places. So in this case, the deeper assumption activated the quick reaction without going through the radical beliefs and values system, or in other words, the basic assumption of police officer is not congruent with espoused belief and values, resulting to the tragic gun’s fire.

So how about changing the personal culture, in my point of view, it should be the same as we want to change the organizational culture. That to make the lasting change, the unconsciously taken for granted assumption of ourselves need to be changed. And as such, knowing the culture inside us (three levels) is the first step to make any change for the better.

## **What's More About Organizational Culture?**

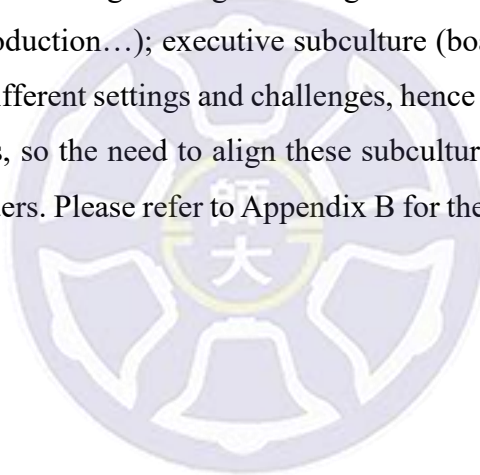
The research and application of organizational culture has been developed almost 50 years since 1970s, the knowledge about this field is enormously broader than I can list here in the thesis. So my thesis presents a particular perspective from Schein to understand and enable us a tool to analyze organizational culture. The following mention some more seem tied subjects with organizational culture, but in the scope of this thesis, I suggest these subjects and their potential influence to organizational culture can be explored in further research.

Other than only one culture in organization, there are some more sub-cultures and macro-culture that actually have the impact on organizational culture. Actually, the organizational culture is nested within our macro-culture such as: nation, ethnic or even region... The founder, leader and employees always bring their pre-dominant culture which is ingrained from their living environment from the time they were born until current time. Even almost basic assumption, beliefs and values are constructed before that, so we usually see the congruence between organizational culture and its macro-culture. For example, the individualistic culture of US is prevailed as the basic assumption in almost US's organization, the same collectivistic culture founded in most of Asian's companies. But it is somehow common that some organizational cultures are actually different with their macro-culture, and because of its past success and reputation, organizational culture can reversely influence back to macro-culture, creating a wave of macro-culture changing. In fact, there is continuous and subtle colliding and cross-influencing between macro-culture and its nested organizational culture in every institution, thus driving them evolved in somehow the same direction. In this thesis, I skip this fact and only focus on the leadership's role on creating and evolving the organizational culture, indeed, the change leader need to beware of the macro-culture whether it supports or hinder his/her intention. The more complex game is that lot of global companies are operating across countries and continents, as they have been facing the intense force of culture fragmentation, how to balance the consistence of culture over geographic offices and the harmony of dynamic and diverse macro-culture in every places they are doing business is the big challenge.

Another macro-culture that is worth to mention is occupational culture, as the world has been moving toward specialization, occupational culture had been created and hold strongly for every field. We have received particular education and orientation

for the expertise we pursued, we have been influenced and followed the prevailing credo of our particular occupation, for example: marketing has its own credo and culture that identify it with other occupations, same for IT (information technology), PR (public relation), science, research, doctor, etc. An organization typically composes of many departments or divisions with their own occupation. As these partially different set of culture interact within the influential force of overall organization's culture, the result is more unpredictable and varied. It poses the challenge for leaders to harmonize and align these differences.

In the running organization, Schein suggested there are three generic sub-cultures (Schein, 2016, p.221-229) that need to be aligned to orchestrate the whole business's operations. They are subculture of operator function (subculture of group running front-line business such as: sales, marketing, customer and technical support...); subculture of the engineering and design function (group running product design, engineering, production...); executive subculture (board of manager). Each of these groups works in different settings and challenges, hence they might have different assumptions and beliefs, so the need to align these subcultures should be noticed and aware of by change leaders. Please refer to Appendix B for the list of these subculture's assumption.



## **CHAPTER III DECIPHERING, CHANGING AND LEADERSHIP ROLE ON ORGANIZATIONAL CULTURE**

### **How Leaders Embed and Transmit Culture**

As the organizational culture is the shared learning by the group and eventually it will be dropped out of awareness after learning the same things over and over. Founders and leaders are the linchpin of the learning process as they have credit to impose their own view, have power to make decision, etc. We have seen many organizations in big or small size are the reflection of what are their founders' assumptions and beliefs. Apple is the apparent case that all of its products have reflected what Steve Jobs beliefs: product oriented, perfectionism, minimalism and superior of design over engineering, etc. (Isaacson, 2011). Apple's products come out with sexy look, minimal interfaces and buttons (Macbook laptop has onle 2 USB-C ports while other brand laptop has as many ports as possible, USB, VGA, Ethernet...). Apple has always been pioneer to cease the unnecessary accessories for the product such as the first to dropped out Floppy Disk and CD-ROM. We even don't feel any redundant accessories from Apple's product. The iPhone 4's incidence about the loss of telecom signal when the user holds the phone in particular manner showed us evidence of Apple's culture of triumph of design over engineering. Ive, Chief of Design, suggested the design of iPhone 4 with the glass's surface. And to make it as "unibody" and elegant look, he suggested to remove the sizable slot filled with plastic that hidden antenna can receive telecom signal. The engineer resisted this idea and warned that the signal of the phone will not be stable. But obsessed with the sleek design, Jobs decided to implement Ive's idea, and result was the crisis that Apple offered the cover or accepted any product return from its customers. History and presence of Apple show us that the culture that being embedded by the founder is actually prevailed over time and even is the resistance force to new leader with different view. Evidence by John Sculley who replaced Jobs in 1983 with the beliefs in marketing and profit more than great product was ousted by

failure in managing company go on right track, and then Jobs came back to revive Apple back to its original culture, and until now, over 6 years from Jobs' last breath, Apple has been still pursuing literally same culture at Jobs' time. (Isaacson, 2011).

To understand the organizational culture, it is crucial to understand how (or through what means or tools) the founder or leader reinforce, embed and transmit the culture to organization. Schein organized them into primary and secondary mechanism listed below:

<b>How Leaders Embed Their Beliefs, Values, and Assumptions</b>
<p>Primary Embedding Mechanisms</p> <ul style="list-style-type: none"> <li>• What leaders pay attention to, measure, and control on a regular basis</li> <li>• How leaders react to critical incidents and organizational crises</li> <li>• How leaders allocate resources</li> <li>• Deliberate role modeling, teaching, and coaching</li> <li>• How leaders allocate rewards and status</li> <li>• How leaders recruit, select, promote, and excommunicate</li> </ul> <p>Secondary Reinforcement and Stabilizing Mechanisms</p> <ul style="list-style-type: none"> <li>• Organizational design and structure</li> <li>• Organizational systems and procedures</li> <li>• Rites and rituals of the organization</li> <li>• Design of physical space, façades, and buildings</li> <li>• Stories about important events and people</li> <li>• Formal statements of organizational philosophy, creeds, and charters</li> </ul>

*Table 3.1.* How Leaders Embed their beliefs, Values, and Assumptions. Adapted from “*Organizational culture and leadership*” by E.H. Schein, 2016, p.183. Copyright 2016 by E.H. Schein.

### **Primary Embedding Mechanism**

Schein wrote (Schein, 2016, p.184):

The most powerful mechanisms that founders, leaders, managers, and parents have available for communicating what they believe in or care about is what they systematically pay attention to. This can mean anything from what they notice and comment on to what they measure, control, reward, and in other ways deal with *systematically*. Even casual remarks and questions that are consistently geared to a certain area can be as potent as formal control mechanisms and measurements.

In managerial accounting, there is famous quote about the effectiveness of managerial accounting that “we get what we measure”, meaning that people tend to concentrate to improve what numbers on accounting report rather than other numbers

not being measured. So for the culture “Culture we have is what leader pay attention, control and measure”. If the leaders are aware of this powerful mechanism, they can consciously impose what they really want the culture looks like over daily operation, more importantly in consistent way. In case these things are not done consistently over time, it will cause great trouble and time consuming for their subordinates whom are confused and spend time to guess the real message from their leaders. At his famous quote, Warren Buffett said “*Somebody once said that in looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if you don’t have the first, the other two will kill you. You think about it; it’s true. If you hire somebody without [integrity], you really want them to be dumb and lazy.*”. It’s true here that the integrity (consistency) of leader is eventually the integrity of the organization.

The moment that reinforces the perception and behavior of subordinates greatly is the emotional outburst of leaders. As human nature, people don’t want and carefully avoid to face such painful situation from intense emotions, and the memory of such panic will last longer than in normal situation. Next time, subordinate had learned and know what condition their leaders would be critical and would act accordingly to avoid it happen again. Ironic case had been recorded in Apple from some first years after inception, that Jobs was very emotional in the meeting, his well-known ability of “reality distortion field” (his unblinking staring look and charisma could distort the reality and persuade people to do what he wants them to do although they know it is impossible). Jobs could praise any one for brilliant idea by that time then some hours later call it crap, or berate an engineer for the bad idea then praise him after an hour. To survive over, Jobs’s subordinates developed the ability to filter out or reduce the fluctuation or the rhythm of Jobs’s emotion, then creating a climate that it is not much intense whereas outsiders (never met Jobs before) feel a horrible meeting with Jobs’s behavior. (Isaacson, 2011).

So how about what leaders do not pay attention to, subordinates would infer either it is not the thing they should focus or they can do it in their own choices. This is the area that kind of subculture will be developed because each of leader’s subordinate will have different assumption and will impose their own assumption over their underneath hierarchy.

The culture of organization or the assumption of leader will be challenged the most in the case of crisis. The crisis is the chance of people see how strong the assumption of that leader is. Because in normal situation, leaders might consciously act

on rational thinking, as his espoused beliefs and values, only in critical crisis that leader would use what is really essential to them to react. So crises are especially significant in culture creation and transmission through reacting to and solving crises from leaders. More successfully leader solved the crisis, stronger impact of culture creating and embedding is, as people more likely believe the reaction of heightened emotion in crisis rather than in normal circumstances.

For the role of modeling, recruiting, promoting, excommunicating, ... from leaders. I would like to illustrate it by using Chinese traditional wisdoms. Once said in the book of “Great Learning” or “Daxue”, one of four favorite books of Confucianism (Lee, “The Great Learning” translation, 8.1):

“8.1 所謂平天下在治其國者：上老老而民興孝，上長長而民興弟，上恤孤而民不倍，是以君子有絜矩之道也。所惡於上，毋以使下；所惡於下，毋以事上；所惡於前，毋以先後；所惡於後，毋以從前；所惡於右，毋以交於左；所惡於左，毋以交於右。此之謂絜矩之道。《詩》云：「樂只君子，民之父母。」民之所好好之，民之所惡惡之，此之謂民之父母。《詩》云：「節彼南山，維石巖巖。赫赫師尹，民具爾瞻。」有國者不可以不慎，辟則為天下戮矣。”

“It was said that “To promote good virtue throughout the world must first govern their nations effectively”, if the leader is filial to his own parents and grandparents, his people naturally would become filial to their parents; if the leader respect his elders, his people naturally would respect their elders; if the leader shows compassion towards the deprived, his people would naturally not act contrary to humanity. Thus the leader set the example and standards for Code of Self-conducts. What I dislikes those above me do, I would not do so to those below me; what I dislikes those below me do, I would not do so to those above me; what I dislikes those before me do, I would not do so to those after me; what I dislikes those after me do, I would not do so to those before me; what I dislikes those on my right do, I would not do so to those on my left; what I dislikes those on my left do, I would not do so to those on my right; this is so call The Code of Self-conducts...”

This timeless wisdom is not exceptional by today, even is proved to be more true, because whatever vocal message the leader wants to communicate, his modeling is the most forceful, persuasive and overriding message. Another ancient story about how the leader was aware of his role model before communicating a message: once upon the time, a mother approached Mahatma Gandhi (2 October 1869 – 30 January

1948) respectfully and asked if he could advise her boy to stop eating so much sugar. Gandhi paused a moment and told her son go home and come back in two weeks. Two weeks later they came back, Gandhi looked at the son and said “Boy, you should stop eating sugar. It is not good for your health”. In her surprise, the mother asked Gandhi why he did not tell the boy two weeks ago. Gandhi replied “*Mother, two weeks ago I was still eating sugar myself*”.

In the Analects of Confucius, chapter Wei zheng 爲政 (Muller, 2017 updated, 2:19): “*The Duke of Ai asked: “How can I make the people follow me?” Confucius replied: “Advance the upright and set aside the crooked, and the people will follow you. Advance the crooked and set aside the upright, and the people will not follow you.”*”. By promoting and excommunicating his subordinates, leader sends a covert important message to the people about how he would appreciate and dis-appreciate his followers. By doing this, leader eventually create a fast and smooth learning because people followed the leader should have relevant assumption to be promoted, then a climate of the organization would align with his assumptions. The way leader punish and reward his subordinates also have the same effect as promotion and excommunication.

Besides replicating their assumptions, leaders also promote outsiders to bring new culture into organization, because it is not easy to change the deep assumption of people, and there won't be an example to learn from, the more powerful and faster way is to promote an outsider who is ingrained with the culture and skills needed by the leader.

## **Secondary Reinforcement and Stabilizing Mechanisms**

In the organization, those design, structure, architecture, rituals, stories, and formal statements are greatly instilled by founders and leaders at the early stage and even at the mature stage of the development of organization, just like the house we build, the important and essential first design and structure are realized by our conceptions. Then after the house is built and we move in, like after organization succeed and stabilize, these space, design, shape become the constraint to be changed and the change tends to be small and incremental though. Like our house, when the organization become stable, these secondary mechanisms have already been setup, leaders will face the constraint in changing any of it. In some situation, the culture associated with these setup mechanisms literally define whose assumption aligns with

its culture could become the leader.

Schein wrote (Schein, 2016, p.198):

All these secondary mechanisms can be thought of as cultural artifacts that are highly visible but may be difficult to interpret without insider knowledge obtained from observing leaders' actual behaviors. When an organization is in its developmental phase, the driving and controlling assumptions will always be manifested first and most clearly in what the leaders demonstrate through their own behavior, not in what is written down or inferred from visible designs, procedures, rituals, stories, and published philosophies”.

For the integrity of the culture, the second mechanisms should be congruent with the primary mechanisms for the best result of culture embedding and transmitting. But in case the secondary mechanisms are different from primary mechanisms, the implication of leaders would take more effect, as we usually witness in our job that sometimes staffs would say it is the procedure to do this, then their leader can supersede the procedure by commanding to ignore the procedure and “do it my way”. Later “do it my way” becomes the new procedure.

As we can see any “way of doing, thinking...” initiated from the founder or leader, it will eventually become an atom of the culture which then is embedded and transmitted within organization. No matter how explicitly intended or not, leaders or founders are actually creating and managing their organizational culture. Someone may ask so then in any way, culture is there, why do leaders bother to beware of and manage organizational culture? To answer, I would like to cite the Chinese ancient story about one of great thinkers of the East, Mencius (孟子 or 孟轲). The story was called “*Mencius's mother, three moves*” (孟母三遷). (Visiontimes, 2017):

Mencius's father died when he was very young. His mother Zhǎng (仉) raised her son alone. They were very poor. At first they lived by a cemetery, where the mother found her son imitating the paid mourners in funeral processions. Therefore, the mother decided to move. The next house was near a market in the town. There the boy began to imitate the cries of merchants (merchants were despised in early China). So the mother moved to a house next to a school. Inspired by the scholars and students, Mencius began to study. His mother decided to remain, and Mencius became a scholar.

Leaders of an organization are like the mother and organization is like her boy in this story. The intention of the mother to have her son to become scholar is like the vision of the organization. The third place the mother moved to is the right culture of

the organization to reach its ultimate vision. If Mencius's mother was not aware of the environment and deliberately moved Mencius to the proper environment, probably we would not have an influential thinker and the author of one of Four Books (四書). The same lesson rings true for us today, if leaders don't beware, understand and deliberately cultivate the organizational culture, will organizational vision be attained?

To maintain proper organizational culture, leaders need to understand their current culture first, then filling the perceived gap by the proactive change. Following sections will deal with how to deciphering and changing the culture.

### **Deciphering The Organizational Culture**

The organizational culture is complex and includes many aspects of the organization, so to deciphering an organizational culture is not an easy job, especially it is almost impossible to have a complete picture of it. In my opinion, deciphering a culture is to try to capture as complete as possible the aspects of the culture. From the prevailing practice of researchers, we have two methods to decipher the organizational culture, qualitative and quantitative methods, and each of method has its own pros and cons. Let's look at the field of anthropology to know how anthropologist explore the new culture (this field is also the foundation of "organizational culture" term to be born, in fact the "Artifacts" word was originated from this field). Geert, anthropologist, in order to pursue new ways of obtaining insight of the native mind and understanding the world, in his paper (Geert, 1983) introduces two concepts "*experience near*" and "*experience far*". The first concept refers to the native's thoughts, feelings, views and beliefs, the latter refers to the terms and formal description of the phenomena. Or we can call first concept as "walking around" and the latter as "bird's-eye view". These two concepts are relevant to qualitative and quantitative methods as we usually see by today.

To discover all of aspects and deeper structure of organizational culture, the bird's eye view or quantitative method could give us the aspects and type of organizational, and "walking around" or qualitative method could help us to delve into a deeper layers of the culture such as basic assumption and in-used and espoused belief and values. So the combination of two methods give us deeper and more complete picture of organizational culture than using one method alone. Following sections, I will describe both methods in general.

## Quantitative Method or Bird's eye view

Usually this method involves the employee's survey with specific given questions. To know what kind of questions we need to ask, we need to have in advance some particular typologies of the organizational culture, then answers will be calculated by pre-defined formula and guidance to output the result as the profile (what typology our organizational culture is similar to). There are several models (or kind of profiles) are popular as following (Schein, 2016, p.285-293):

- Denison (1990)'s model identifies a number of dimensions of culture that are presumed to be relevant to a given organizational outcome such as performance, growth, innovation, or learning. The survey questions are then focused on just the dimensions considered relevant, and if those dimensions cannot conveniently be measured with a survey, the researcher or consultant can supplement with interviews and observations. Here is example of 12 dimensions under four general categories: *Mission* (strategic direction and intent, goals and objectives, vision), *Consistency* (core values, agreement, coordination and integration), *Involvement* (empowerment, team orientation, capability development), *Adaptability* (creating change, customer focus, organizational learning). Scores on each of the 12 dimensions are shown in a circular profile of the group and can be compared to norms based on a large sample of organizations that have been rated as more or less effective. Notice that the categories are quite abstract, so we have to go back to the actual items to discover just what was meant by each dimension.
- Human Synergistics International (HSI) offers a similar approach with its "organizational culture inventory" (Cooke & Szumal, 1993). HSI's 12 dimensions, also shown as a "circumplex" profile, are organized around three basic organizational styles: *constructive styles* (achievement, self-actualizing, humanistic-encouraging, affiliative), *aggressive-defensive styles* (oppositional, power, competitive, perfectionistic), *passive-defensive styles* (avoidance, dependent, conventional, approval).
- The O'Reilly, Chatman, and Caldwell (1991) "organizational culture profile" (OCP) offers another alternative. The OCP distinguishes attributes associated with "preferred work environments." How culture is expressed in preferred

work environments can be useful for anticipating new-hire fit and crafting overall company branding. The OCP focuses on seven key dimensions: *innovation, stability, people orientation, outcome orientation, easy going, detail orientation, and team orientation*. To assess where one fits into these dimensions, 54 value statements are sorted by respondents according to their relative importance.

- There are growing number of Automated Culture Analysis with Software-as-a-Service (SaaS) companies which have been formed and richly funded to provide surveys and analytics for customers wanting to get quickly a better understanding of their climate, culture, and employee engagement. These companies offer the web based survey for employees, collecting some more critical data, then based on big data analytic technique to process and produce the result. They are: TinyPulse, Glint, CultureIQ, RoundPegg, CultureAmp...

Actually, it is not easy for insiders to conduct this method, hiring professional consultant is the better choice as they can provide advices, experienced approach and insight of analysis. SaaS service mentioned above is prevailed as the new faster, easier and more cost effective method. Another worthy aspect of these quantitative method is that it helps change leaders to know the difference of before and after cultural change program which is valuable for them to convince and prove the effectiveness of cultural change's initiative (as the norms of business practice, any program or initiative needs some seeable numbers to prove its rational effectiveness).

### **Qualitative Method or Walking Around**

The quantitative method is useful to categorize the organizational culture, however, there are some issues with this method such as: the questions might not cover completely the aspects we need to know; employees may not be motivated to be honest; employee's interpretation of question may not be the same with the question's intent; etc. But the most crucial goal of the deciphering organizational culture is to know the deeper structure of the culture, the quantitative method is hardly to give us what the basic assumptions, actual beliefs and values are. The qualitative method could help us to answer this question. Though it takes enormous time and effort to conduct this method, the art of this approach is that the interviewers can ask directly question with interviewees in face-to-face context where interviewer can sense of what really mean

from the answer or interviewer can extend the question further to gain deeper understanding of the subject. This method is easier for insiders than outsiders as insiders already had relationship and connection that facilitate the comfortable medium for interviewee to be candid.

Following 10-step assessment procedure from Schein's real case could be a valuable example for insiders to conduct the organizational culture's analysis (Schein, 2016, p.302-306):

**Step 1: Obtain Top Leadership Commitment**

Deciphering cultural assumptions and evaluating their relevance to some organizational change program must be viewed as a major intervention in the organization's life and, therefore, must be undertaken only with the full understanding and consent of the formal leaders of the organization. This means probing why the leaders in an organization want to do this assessment and fully describing the process and its potential consequences to obtain their full commitment to the group meetings that will be involved. In this case it was the leaders who came to me with the approval of their government superiors.

**Step 2: Select Groups for Self-Assessment**

The next step is for the facilitator to work with the formal leaders to determine how best to select some groups representative of the corporate culture. The criteria for selection usually depend on the concrete nature of the problem to be solved. Groups can either be homogeneous with respect to a given department or rank level or made deliberately heterogeneous by selecting diagonal slices from the organization. The group can be as small as 3 and as large as 30. In this case the leaders and I selected the group that would have the most experience with this issue.

**Step 3: Select an Appropriate Setting for the Group Self-Assessment**

The group meeting should stimulate perceptions, thoughts, and feelings that are ordinarily implicit. The room in which the meeting is to be held must therefore be comfortable, allow people to sit in a circular format, and permit the hanging of many sheets of flip-chart paper on which cultural elements would be written. In addition there should be available a set of breakout rooms in which subgroups can meet, especially if the basic group is larger than 15 or so participants.

**Step 4: Explain the Purpose of the Group Meeting (15 Minutes)**

The meeting should start with a statement of its purpose by someone from the organization who is perceived to be in a leadership or authority role, so that openness of response is encouraged. The organizational-change problem should be clearly stated and written down, allowing for questions and discussion. The purpose of this step is

both to be clear as to why this meeting is being held and to begin to get the group involved in the process. The insider then introduces the process consultant as the “facilitator who will help us to conduct an assessment of how our organization’s culture will help or constrain us in solving the problem or resolving the issue we have identified.” The process consultant can be an outsider, a member of the organization who is part of a staff group devoted to providing internal consulting services, or even a leader from another department if he or she is familiar with how culture works and is familiar with this group process.

**Step 5: Understand How to Think about Culture (15 Minutes)**

It is essential for the group to understand that although culture manifests itself at the level of artifacts and espoused values, the goal is to try to decipher the shared basic assumptions that lie at a lower level of consciousness. The consultant should, therefore, present the three-level model of artifacts, espoused values, and tacit assumptions and ensure that everyone understands that culture is a learned set of assumptions based on a group’s shared history. It is important for the group to understand that what they are about to assess is a product of their own history and that the culture’s stability rests on the organization’s past success.

**Step 6: Elicit Descriptions of the Artifacts (60 Minutes)**

The process consultant then tells the group that they are going to start by describing the culture through its artifacts. A useful way to begin is to find out who has joined the group most recently and ask that person what it felt like to enter the organization and what he or she noticed most upon entering it. Everything mentioned is written down on a flip-chart; as the pages are filled, they are torn off and hung on the wall so that everything remains visible. If group members are active in supplying information, the facilitator can stay relatively quiet, but if the group needs priming, the facilitator should suggest categories such as dress codes, desired modes of behavior in addressing the boss, the physical layout of the workplace, how time and space are used, what kinds of emotions someone would notice, how people are rewarded and punished, how someone gets ahead in the organization, how decisions are made, how conflicts and disagreements are handled, how work and family life are balanced, and so forth.

**Step 7: Identify Espoused Values (15–30 Minutes)**

The question that elicits artifacts is “What is going on here?” By contrast, the question that elicits espoused values is “Why are you doing what you are doing?” It is often the case that values already have been mentioned during the discussion of artifacts, so these should be written down on different pages. To elicit further values, I pick an area of artifacts that is clearly of interest to the group and ask people to articulate the reasons why they do what they do. As values or beliefs are stated, I check for consensus; if

there appears to be consensus, I write down the values or beliefs on the new chart pad. If members disagree, I explore why by asking whether this is a matter of different subgroups having different values or there is genuine lack of consensus, in which case the item goes on the list with a question mark to remind us to revisit it. I encourage the group to look at all the artifacts they have identified and to figure out as best they can which values seem to be implied. If I see some obvious values that they have not named, I will suggest them as possibilities—but in a spirit of joint inquiry, not as an expert conducting a content analysis of their data. After we have a list of values to look at, we are ready to push on to underlying assumptions.

**Step 8: Identify Shared Underlying Assumptions (15–30 Minutes)**

The key to getting at the underlying assumptions is to check whether the espoused values that have been identified really explain all of the artifacts or whether things that have been described as going on have clearly not been explained or are in actual conflict with some of the values articulated. An easy way to do this is to ask the group whether the structure and the processes they use are consistent with the espoused values. As assumptions surface, the facilitator should test for consensus and then write them down on a separate list. This list becomes important as the visible articulation of the cultural essences that have been identified. This phase of the exercise is finished when the group and the facilitator feel that they have identified most of the critical assumption areas that pertain to the problem they are trying to solve, and participants are now clear on what an assumption is.

**Step 9: Identify Cultural Aids and Hindrances (30–60 Minutes)**

At this point it is important to review the change goal. What are we trying to do, what will be involved in getting there, and how will our present culture aid or hinder us in getting there.

**Step 10: Make Decisions on Next Steps (30 Minutes)**

The purpose of this step is to reach some kind of consensus as to what the important shared assumptions are and their implications for what the organization wants to do next.

After deciphering the culture, it is likely that people recognize the gap between the espoused beliefs and values and actual or in-used beliefs and values. The next important step is to identify if the gap creates current or coming problem or is the hurdle of achieving expecting business result. If not, then we don't need to do anything as we don't fix when it works well. If yes, then we need to close the gap from actual to espoused culture (Schein, 2014). The next section deals with the methodology to make change in the perspective of West and East's culture.

## Changing Organizational Culture

It is greatly depended on many factors such as: what specific assumption or value or belief needed to be changed, company's current leadership, business circumstance, climate, history, ... to figure out particular plan or practice to manage the change program. Instead, in this section, I present two models of managing change, one rooted in the West's culture and one rooted in the East's culture that we can form the relevant strategy to manage the cultural change which might work best for the given situation. Then following small case will be examined to see how different two methods can be deployed.

The first model was introduced by the European-American social scientist Kurt Lewin (1890-1947) and has become the underlying and guiding frames for organizational development (Marshak, 1993). The model can be illustrated by following figure:

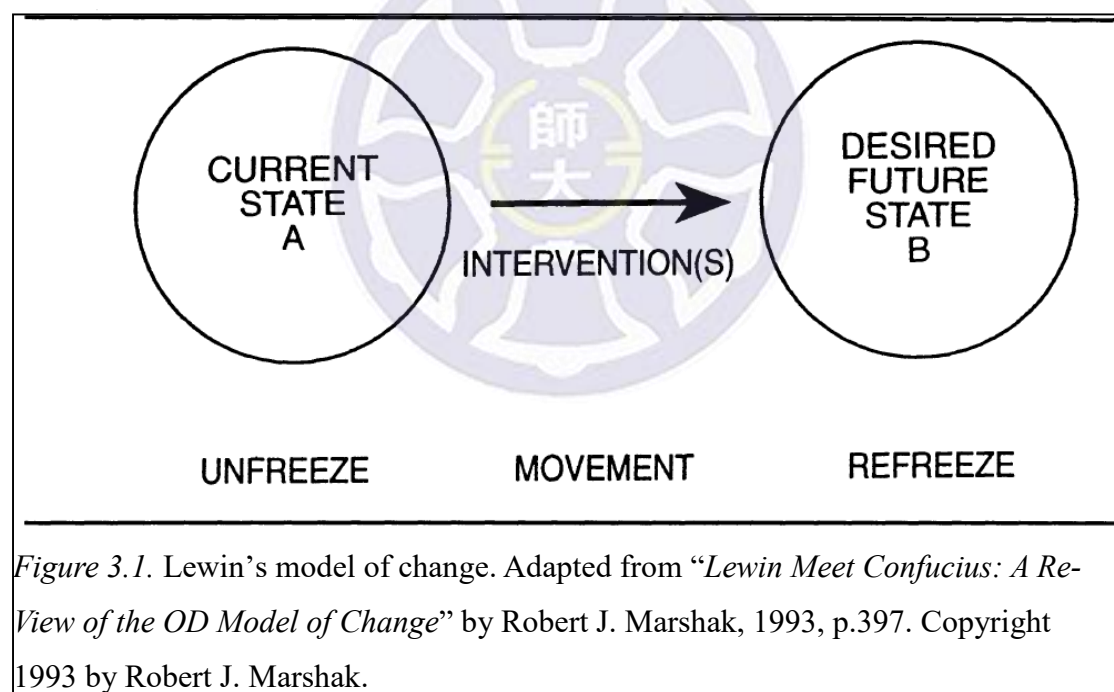


Figure 3.1. Lewin's model of change. Adapted from "Lewin Meet Confucius: A Re-View of the OD Model of Change" by Robert J. Marshak, 1993, p.397. Copyright 1993 by Robert J. Marshak.

First, there is a current state A, and a desired state B, and through planned change intervention, one moves from state A to more desirable state B. So how to move from state A to state B, Lewin's three-stage change process (Lewin, 1951) give us the guidance: As the current state A is maintained by the forces in equilibrium, by altering the forces through a planned and managed intervention, state A will unfreeze and move, when the movement reaches the state B, an equilibrium of forces will be re-established so to refreeze the situation and maintain the desired state B (Marshak, 1993). As Burke

(1987) summarized:

Thus, according to Lewin, bringing about lasting change mean initially unlocking or unfreezing the present social system. This might require some kind of confrontation.... Next, behavioral movement must occur in the direction of desired change.... Finally, deliberate steps must be taken to ensure that the new state of behavior remains relatively permanent. (p.56).

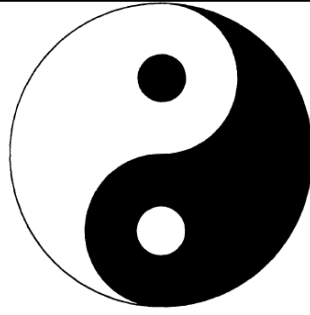
John Paul Kotter offered 8-steps of leading change by practical step by step to manage the change (Kotter, 1996). Kotter's 8-step of leading change has often been used by many organizations around the world as it is easy and step-wise to conceive and implement in practice. In general, Kotter's 8-steps leading change is relatively appropriate to Lewin's model or we can say Lewin's model deals with theory of change and Kotter's 8-steps enable the application of theory into practice. Following table show us the relevance of 8-steps and 3 stages of change model:

Table 3.2.

*The Relevance of Kotter's 8-steps and Lewin's model of change*

Kotter 8-steps leading change	Lewin's model of change
Step 1: Establishing a Sense of Urgency	Unfreeze
Step 2: Creating the Guiding Coalition	
Step 3: Developing a Vision and Strategy	
Step 4: Communicating the Change Vision	
Step 5: Empowering Employees for Broad-Based Action	Transition
Step 6: Generating Short-Term Wins	
Step 7: Consolidating Gains and Producing More Change	Refreeze
Step 8: Anchoring New Approaches in the Culture	

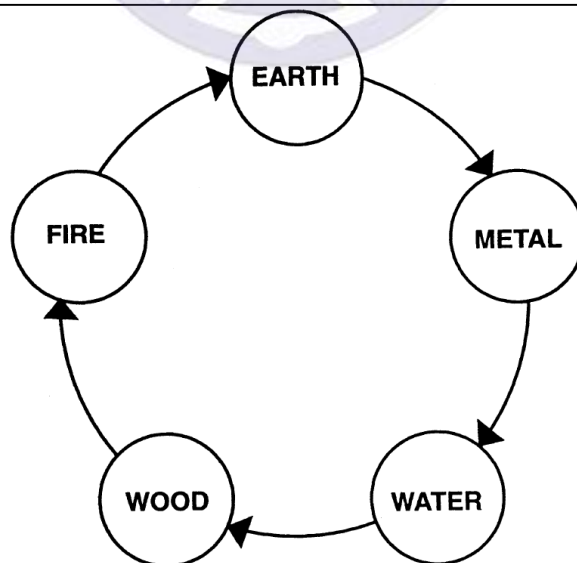
The next model is the East Asian model of change, that is also a foundational text for Confucian and Daoist philosophical traditions. Following two figures illustrate the model in general:



<b>YANG</b>	<b>YIN</b>
Light Side of the Mountain	Dark Side of the Mountain
Heaven	Earth
Sun	Moon
Fire	Water
Hot	Cold
Dry	Wet
Active	Receptive
Outside	Inside
Expand	Contract
Ascend	Descend

*Figure 3.2. Yin-Yang cyclical change. Adapted from “Lewin Meet Confucius: A Re-View of the OD Model of Change” by Robert J. Marshak, 1993, p.398. Copyright 1993 by Robert J. Marshak.*

From figure 3.2, there is inherent and continual alternation between the cosmic forces of yin and yang, and are two existential interdependent polar aspects of one unity, the T'ai Chi or the Great Ultimate. It also shows us the continuous cyclical movement of ying and yang to maintain the balance.



*Figure 3.3. Five Agents Cyclical Change. Adapted from “Lewin Meet Confucius: A Re-View of the OD Model of Change” by Robert J. Marshak, 1993, p.399. Copyright 1993 by Robert J. Marshak.*

Figure 3.3 shows the five forces or agents that make up the universe according to the theory, the movement is the natural process in sequence. If one of the force changed, the movement will occur sequentially in the order that will eventually create a bouncing consequence to the original changed force. The ultimate balance of ying and yang in figure 3.2 and the five forces are reflected in Chinese medicine, that if a person is sick, it means there is the disharmony of inside-body interaction, so the doctor will examine and prescribe food/medicine that generate the lacking force to re-establish the harmony. (Marshak, 1993).

Although two models look simple, but there are remarkable differences in assumption and the practical implementation, here is the table comparing two's different assumption.

Table 3.3.

*Different assumptions between Lewin and East Asian's mode of change*

<b>Lewin's Model</b>	<b>East Asian (Confucian) Model</b>
Linear: One moves from one state to another state in a forward direction through time (past-present-future).	Cyclical: there is constant cyclical movement of everything in the universe. There is no end nor beginning.
Progressive: one moves from specific current state to desired state, or from snapshot of presence to snapshot of future.	Processional: one moves from one condition/state to next condition/state in orderly and natural sequence.
Destination or goal oriented: the goal or result is ultimate	Journey oriented: the change is sequential and continuous, so how one move along the way is ultimate and no end state.
Based on creating disequilibrium: to get the desired state, one needs to break the equilibrium to move toward desired state	Based on maintaining equilibrium: nature and everything are in harmony, so one wants to change is to restore balance, harmony...
Change is unusual because there is an action to break the equilibrium, then to restore the equilibrium.	Change is usual: everything is normally in a continually changing dynamic state.
Planned and managed by people who	One who manage and plan the change

exist separate from and act on things to achieve their goals: one learns how to master and manipulate the forces in order to achieve the goal.	must act in natural order to maintain harmony in the universe. In many cases, change agent manipulate the context that the state/condition moves from A to B without any direct intervention.
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## Small Case Study to Demonstrate Two Models

Following small case (summary from the case) about change in Chengdu Bus Group (CBG) demonstrates the implementation of change from East Asian model (Jing & Van de Ven, 2014), but I also add one more scenario as if using Lewin's model of change or Kotter's 8-step processes.

Chengdu is a very attractive city in Western China for tourists. CBG was established on 1 July 1952 as Chengdu's major public transportation carrier. In 2006, CBG had five subsidiary companies, among these, 2 subsidiaries were state-owned, other 3 were joint-venture with investors from private sector. CBG had been facing increasing crisis including: waste of critical resources that each subsidiary operates its own buses, ticketing system, routes and repair shops in the same city without linking each other; unfair incentive system between front-line and back-office staffs, also among drivers; public image had been damaged by some accidents caused by unhealthy competition among its subsidiaries and depressed bus drivers.

The new CEO, Dr. She Chen who had proved himself as the thoughtful and insightful leader in one of investment company of Chengdu's state-owned assets was appointed as the director (CEO) of CBG on 25 August 2006. With this promotion, mayor of Chengdu expected Chen to recover the CBG within 3 years. Under this circumstance, Chen had decided to make a big change of the group. The first step to set up the foundation for further change in Cheng's point of view is to regain the stakes from 3 joint-venture subsidiaries. So he embraced the first step:

Suppose we don't know his actual plan yet. Let's use the Lewin or Kotter's model to implement the change. Our desired state is that private investors will sell back all the stakes of 3 subsidiaries. So we first unfreeze the current state by creating the sense of urgency by telling them the severity of the facing crisis, asking the support from Chengdu's state as to form the coalition, developing the plan that need to gain back the control, communicating the plan and persuading private investors to buy back.

Then we go to transition state where we find the way to convince private investors the deal to sell back is the good deal for them, then next step to negotiate the price of the share. There is a setback in the negotiation that we are the one who need to buy back, so private investor will have bargain power to offer higher price. The next step is to arrange the financial budget to buy back the shares. Following this model, we can anticipate that huge efforts and time are needed to get support, resolve the resistance and bargain power of private investors and especially, the price of the share would be high as we obviously show we are in need. Like we are directly using our hand lift the heavy rock without any leverage.

His actual actions according to the case demonstrated the implementation of East Asian model of change. At first, he ordered to cut the price of bus ticket in half and did not compromise though facing the resistance from managements. After three months, the three joint-venture could not suffer financial losses anymore as facing price cut from 2 state-owned subsidiaries. As the result, private investors in these joint-ventures actively asked CBG to buy back their equity shares. CBG finished the transaction on April 2007 and all five subsidiaries were under absolute control of CGB. In this way, Chen would not spend much effort on gaining support and convince the private investors, more importantly, he got the bargain power on negotiating table. Then he could purchase the shares with lowest price to save money on following changes. We see that this way, the change looks like happened naturally without any direct intervention, and especially, the change was automatically initiated from the one in need to make the change according to Chen's plan while Chen still maintain the equilibrium/balance of the system. This way likes using the lever to lift the rock with less effort than our own hand directly lifting the rock in previous way.

This case is not to prove Western model or East Asian's model is better than another, instead, it is the brief demonstration of how different they are in practical implementation. According to Marshak (Marshak, 1996, p.409), there is different situations that each model has its own strengths to resolve. Just like compact car and off-road car, each one has its own advantage to perform on concrete road or paved and gravel road.

Indeed, there are many models of change out there, not just these two models. As we see, each model has its cultural root and pros and cons. The reality is always deviant and has more forces and variables than in theory, but having theory could build us a foundation to strive in practice. Just like knowing how to steer the ship in the lake

does not mean we could steer the ship on the sea, but at least knowing to steer the ship in easy situation is the first essential skill to steer the ship in more complex situations.

So far, we have examined the definition, structure of organizational culture, the role of leadership on the culture's cultivation and maintenance, how to briefly decipher and change the culture. Then a concern came across my mind that what direction should we drive the organizational culture to excel, develop and sustain the organization in the world of challenging, complicated and ever-changing business world. Next chapter will deal with this concern.



## CHAPTER IV BUILDING BLOCK OF AN THRIVING ORGANIZATIONAL CULTURE

From my reading, searching and reflection, I see that there would be 3 interdependent building blocks of organizational culture that a company could aim toward to create a culture which could help company sustain and thrive in the increasingly turbulent economy. Figure 4.1 illustrates the three building blocks according to my finding.

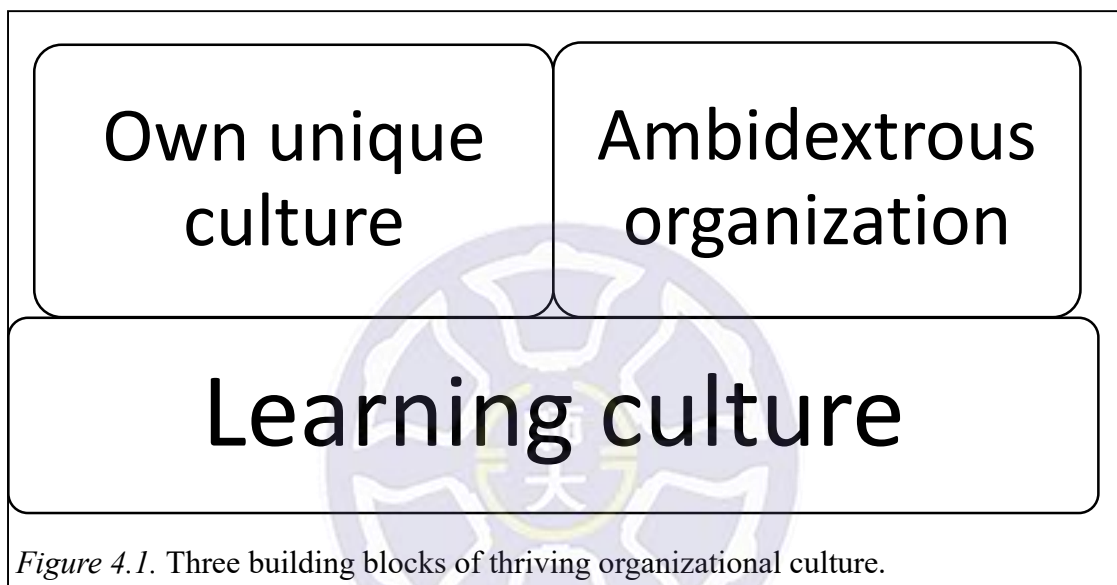


Figure 4.1. Three building blocks of thriving organizational culture.

The learning culture is the foundation for the rest two building blocks. Following sections will explain detail of each of building block.

### **What is Own Unique Culture**

Each of individual has his/her own special or unique strength or personalities, the same can be said about an organization. Ironically, since organization encompasses many people working together, but people's differences and similarities are mixed and create a unique organizational culture that have helped company successful up to now. To find out what is organizational own unique culture, first, we should answer what have made it success. Because the success is attained by different way, so the way organization has done is the unique culture. For example, in Amazon, the most unique culture is the "two pizza rule" that never has a meeting where two pizzas couldn't feed the entire group and the same rule applied to form any cross-functional team to perform

any task or project (the small group which made communication, integration and implementation faster has been the source of many breakthrough projects in Amazon such as: Amazon Prime, Amazon Web Services, Kindle eBook reader...); or in Apple, design team supersedes engineering team while in most of other companies, engineering team has much more influence.

The unique culture could be the deeper assumption of the founders or leaders. In Netflix, the founder's assumption was that employees are mature, so they design the system and culture that minimize the control, maximize the freedom and empowerment while most of existing companies on Earth always find more ways to tightly control their employees as the rooted assumption that people are lazy.

## **What is Learning Culture**

In business management, a learning organization is a company that facilitates the learning of its members and continuously transforms itself. The concept was coined through the work and research of Peter Senge and his colleagues (Senge, 1990, 2010). From the first public of Senge's book, "*The fifth discipline: The Art & Practice of The Learning Organization*", the practice and theory of learning organization have been advocated, pursued and applied by many enterprises. Senge proposed the five disciplines of a learning organization, "By *'discipline,' I do not mean an 'enforced order' or 'means of punishment,' but a body of theory and technique that must be studied and mastered to be put into practice*" (Senge, 2010, Chapter 1). Following sections are the summary of proposed five disciplines:

### **System Thinking**

This is the discipline that Senge mentioned and explained the most in the book. He argued that our language and our mind had been trained through education that we used to see thing as linear, meaning that everything has its direct cause. For example: the sale growth is caused by increasing spending on sale budget, so to increase the sale, we should increase the sale budget. This perception is the easiest cause we can figure out in less than a second, and usually, our mind will stop working further to know what is even underneath it and makes impact more than the sale budget. So this kind of thinking embedded in our mind to become the habit while dealing with any issue and of course, our solution won't achieve its purpose since we just temporary solve the

short-term or the surface of the problem. The underlying problem is still there and likely to surface the same symptom very soon. Another important thing is that we used to be taught that to solve a complex issue, we break it down into many simple parts and solve them one by one. But as the complex issue is not simply formed by many simple separate parts, rather it is formed by interdependence of many parts that if we break it into many separate parts, we won't have a bigger picture and a holistic solution (the story of "6 blind men describe an elephant" is an exemplification of breaking and using the parts to describe the system).

System thinking is a new theory, claims that we should look at the issue with deeper understanding its underlying structure, rather than its direct and linear cause. And the shift of mind that we are the integral parts of the universe, any our action will have the impact to the whole. Just like we lift up ourselves from the surface to have the eager-eye, looking things as the inter-connectedness that we find the underlying system causing the facing issue.

It is not easy to see the hidden or underlying structure of inter-connected elements under the facing issue as our mind and eye are so easy to catch and notice the tangible rather than intangible things. So Senge suggested a practical model that we can use to analyze the issue into a system where we can find the most levered point to fix the issue. Let's look at the sale issue, when the sale faces the difficulty such as slow growth or decline.

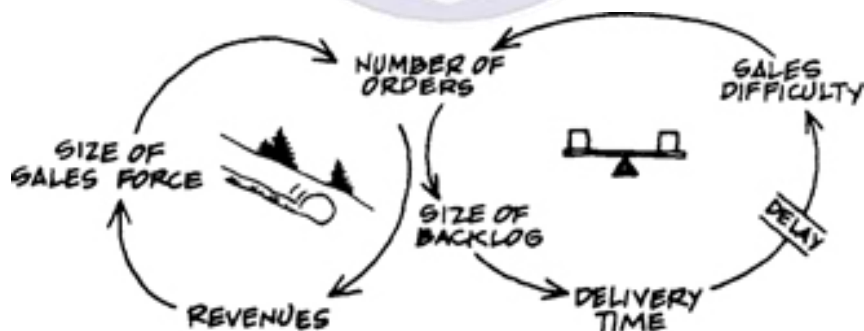


Figure 4.2. Identify underlying structure of the problem. Adapted from "The fifth discipline: The Art & Practice of The Learning Organization" by Peter M. Senge, 2010, Chapter 7. Copyright 2010 by Peter M. Senge.

Without contemplating, many of us could jump to the conclusion that to increase the sale, we need to increase the sales force to aggressively sell more. With Senge model, that we use the circle to express the effect of each element to others, we can see that not

only sales force could increase the sale, but also the delivery time is the considerable factor to hinder or boost the sale. When the number of orders is increasing higher, if remaining the same production, the delivery time to customer will be longer, then customer's satisfaction would get lower, resulting to word of mouth or complaint spreading out, then new customers or existing customers will consider and jump to the alternatives which then affect the sale slow down or dropped. Another important point is that to keep the promise of delivery time, there will be the delay from the time of investment in production to the time of production is really ramped up. The delivery time and delay in investment to take effect are usually hidden from any number that we see in daily business operations. So to solve the sale challenge, what is the potential and higher leverage point to do, it should be the delivery time because when we keep the delivery time under our announcement, customer will be more satisfied, and they become our advertising agent, thus spreading news of our reputation, resulting in rising the number of orders.

Indeed, this discipline originates from the Eastern culture as they see things are always inter-connected and cyclical order that form a system (refer to the previous section about method of change). Eastern culture considers each of us is the integral part of a bigger system, universe, that there will be a force to maintain the harmony of our universe. The same for the sale challenge, the sale budget and delivery time are interconnected elements in harmony, the change of each this element will affect to others in various impact factor (for example, the delivery time has more impact to the sale growth rather than sale budget, so the impact factor for delivery time is higher). In fact, Senge had cited and combined many ideas from the Eastern culture into his book.

## **Personal Mastery**

There is no learning organization if its members don't learn, so the learning organization must begin with individual learning first. Personal mastery refers to the discipline of individual learning. Actually, the personal mastery is the creation of your own creativity to figure out how to move you toward your vision or what do you want to be in the future from your current reality.

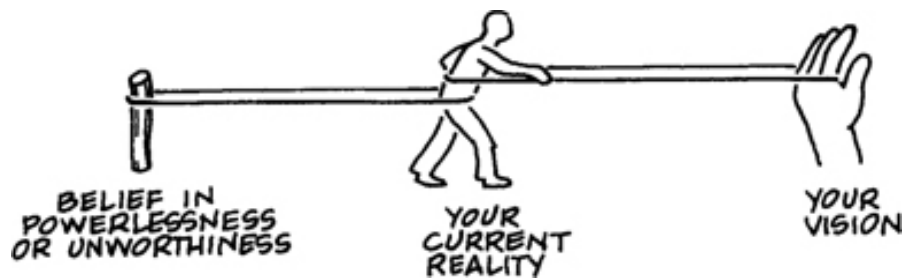


Figure 4.3. Realize your creativity tension. Adapted from “*The fifth discipline: The Art & Practice of The Learning Organization*” by Peter M. Senge, 2010, Chapter 8.

Copyright 2010 by Peter M. Senge.

From figure 4.3, as Steve Jobs had said “*If you are working on something exciting that you really care about, you don’t have to be pushed. The vision pulls you*”. So to create the power and encourage to move forward, you need to have a vision. Vision can be the conception of what you will be in the future. The rubber band from figure 4.3 illustrates the invisible force pulling you toward your vision. But if it is just simple that you have vision and the vision will pull you, then everyone can achieve whatever they want. The other crucial counter-forces in this game is your current reality and your belief. If you just have the strong belief that you can achieve your vision, then the distance is now only between your current reality and your vision. But as we are humans, our instinctive thoughts flood us with many conceived obstacles on the way to achieve the vision such as your dependence to other, feeling of powerlessness or unworthiness, etc. In this case, our negative thinking become the counter-force to pull back us from the vision. And your current reality is the position you are truly standing now.

Then how achieving the vision is difficult? To answer this question, we need to solve three things: identifying the vision to create the creativity force, overcoming the counter-force to remove it from pulling you back and realizing your true reality to correctly figure out how we can achieve the vision. The first two issues are not so difficult since everyone has his/her vision, the awareness of our own thinking could help us eliminate the counter-force. But the last issue is the most difficult, there are many forces surrounding us to define our current reality and also our own perception of the reality. Our perception of the reality lies in our sub-conscious mind. Sub-conscious mind is the part of our mind processing huge amount of data without our

awareness, such as when you know how to ride the bicycle, you don't need to think about how to ride it as your sub-conscious mind is handling it for you while you are talking to your friend. But if it is the first time you learn to ride, your conscious mind need to involve and you feel it is difficult to harmonize all your actions to ride and your subconscious mind does nothing. There is gradually subtle transfer from your conscious to sub-conscious mind to handle the repetitive task, like if you learn and practice riding bicycle many times, then your sub-conscious mind will gradually handle your riding skill until it takes over completely. So our sub-conscious mind will give us the perception of our reality through our experience and our practice before, then it will imprint to our mental model (refer to next section). The luckiest situation is that our mental model process the info and give us the result which is very close to the current reality. But we could not have luck forever, so to find out the current reality, we need to be aware of our sub-conscious or our mental model and notice more about the facts and underlying structure which the system thinking discipline will help. Seeing the truth or current reality is common in almost all the world's great philosophies and religions (Senge, 2010, Chapter 8):

Buddhists strive to achieve the state of "pure observation," of seeing reality directly. Hindus speak of "witnessing," observing themselves and their lives with an attitude of spiritual detachment. The power of the truth was no less central to early Christian thinking, although it has lost its place in Christian practice over the last two thousand years. In fact, the Hebrew symbols used to form the word *Yeheshua*, "Jesus," include the symbols for Jehovah, with the additional letter *shin* inserted in the middle. The symbols for Jehovah carry the meaning, "That which was, is, and will be." The inserted *shin* modifies the meaning to "that which was, is, and will be, *delivers*." This is the probable origin of the statement "The truth shall set you free."

## **Mental Models**

In any given situation, an individual perceives and interprets what is happening, thus creating a picture, or mental model, of some aspects of the world. Mental models are comprised of assumptions, beliefs, and values that people hold, sometimes for a lifetime. Sub-conscious mind is also the source of our mental model, as we are very well at doing something, the way of doing imprint to our mental model a filter or bias that only catch what we were very good at before.

Typical example is illustrated in figure 4.4 that two people can see the same

situation (snowing) and interpret it very differently based on experience and beliefs. Snow is fun (the man) vs. snow is horrible (the woman)!".

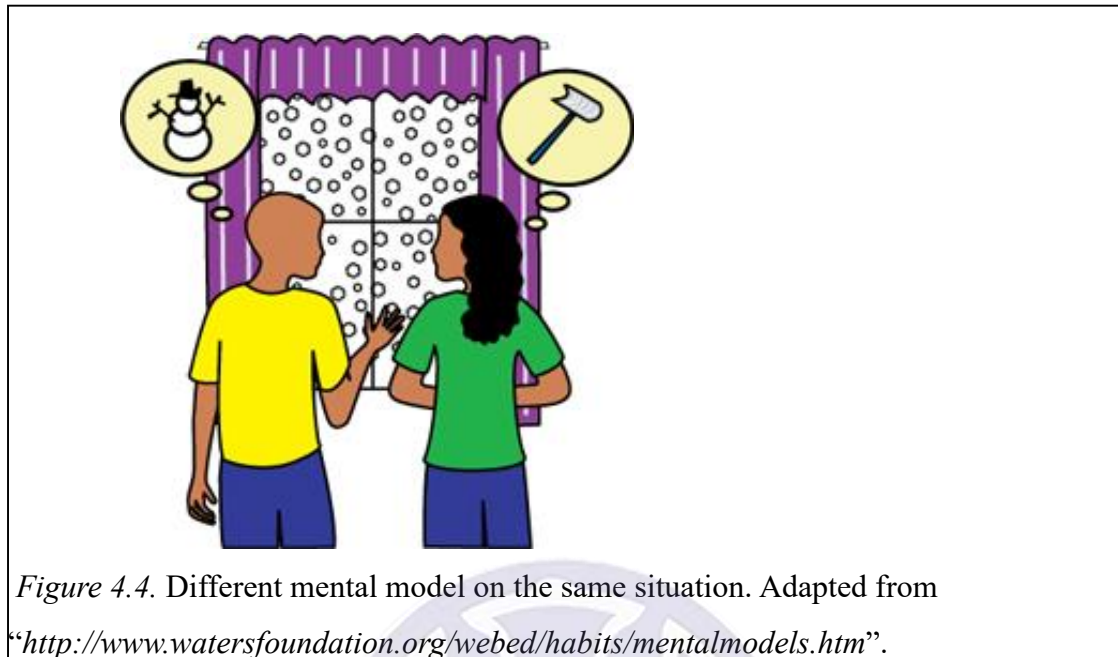


Figure 4.4. Different mental model on the same situation. Adapted from "<http://www.watersfoundation.org/webed/habits/mentalmodels.htm>".

In business, mental models are the source of action, plan and strategy... especially mental models of founders and leaders because they are the one deciding those things. Mental models help us to simplify and filter the noise of the excessing facts around, and help us figure out the perspective and what to do next with given facts. Without mental models, our brain will dive in the sea of facts with confusion. We could not live without our own mental model. The downside of the mental model is that it was formed from the past, from our past experiences, past environment and variables, past knowledge... As the world is more complex, time passes, environment changes, more variables appear, if we use the same mental model to capture the world now or in the future, our perception of the world would not reflect the reality closely enough. One more thing is that mental model is unconscious or out of our awareness most of the time. It is like the auto pilot mode in airplane, so if we are aware of our mental model, it means we are in control, or we are using manual mode of airplane. Just like pilots could not fly the airplane all day long by manual mode as they will die of exhaustion, the same with awareness of our mental model, that only in some circumstances or in short-time we can be aware of it, the rest we need to let it run automatically.

Understanding that we have our own mental model, or the glass to see the world is already a jump on the discipline of mental models. Because when we know it exist,

we can somehow beware of it and have the respect to other's mental model, it means learning. Senge suggested two more ways to master the awareness of our mental model (Senge, 2010): the first way is to have the practice of reflection, as when we reflect, we are the observer of our past actions based on our mental mode and the observer always see more facts and clearer than the actor. By doing the reflection, we can understand and improve our mental model for the next time, and that our mental model will evolve along the time which keep us up to date. The second way is to note about espoused theory versus theory-in-use that we are too often say or do different with what we really think. For example, a manager might say quality is the first priority, but indeed, he prioritizes how to achieve the sale target, so his real action would be different in situation that he would sacrifices the quality to release the product on time to increase sale.

## **Shared Vision**

Shared vision starts with individual vision, then individual vision diffuses to the people in the organization and become shared among them. The shared vision should be lofty and beyond money to be strong enough to draw people in according to Senge and empirical evidences of successful companies. Why mentioning about shared vision in the organization while leaders can pay to employees to have the works done, like “a fair day work for a fair day pay”, because with the relationship based on money, there will be mediocre forever and will never be excellent and breakthrough. The vision should be shared willingly, as the vision touch the deepest desire of people. Nowadays, the vision is reinforced from the leaders to employees without shared by employees, not by active willingness of employees to share the vision. According to Senge (Senge, 2010) there are two things that could be best to call people into the vision: the first is the open and frequent communication with everyone in the organization to understand what and why is the vision. Doing this way could help to clarify the doubt from employees and facilitate the inquiry and dialogue which eventually help the individual vision evolve to become a better vision which is shared by more people. The second way is that the one creating or maintaining the vision must live with it because actions always speak louder than the words. There is no way we can communicate a vision without becoming it and living it.

If we are committed to the vision willingly, we want it, will make it happen and

create whatever it needed to attain the vision. We do this without control and motivation from anyone else. Is it the type of employees all organization desires to have? While managers and leaders spend so much time to design the control system, motivate their employees, some employees will do it as the compliance, some will exploit the hole of the system since no system is perfect. Instead if leaders invest their time in crafting and cultivating the vision which is truly shared by employees, they don't need to do those things. This is the power of the vision which is truly and willingly shared.

## **Team Learning**

The individual learning is prerequisite for the learning organization, but team learning will help to diffuse and aggregate individual learning into a truly learning organization. Since each individual has his/her own mental model and skill, if everyone can articulate his/her own view of the issue, then others will learn, evolve and may be merge their views into new and better view of the issue. Then it creates a synergy of the team which much higher than just simple total of all members of the team. To learn from each other, Senge argued that there will be distinction between dialogue and discussion (Senge, 2010) and team need to do both to achieve the potential of team learning. Dialogue is the situation that team's member will articulate one's view of the issue and how he/she arrives the view from the given facts, and each of listeners need to hold their mental model, keep it aside and is willing to inquire and debate the new perspective. There is no need to have agreement on the dialoguing issue, just to bring the issue to the table and dissect it in as many perspectives as possible. In traditional organization, managers will call this kind of dialogue the counter-productive activity, that people waste their precious time to just say anything without any concrete agreement. This view is somehow the reflection of short-term orientation, as we know that the world is more complex, hence more the need to collaborate and integrate, and the more understanding and physically interacting each other, the easier to collaborate and integrate. Dialogue is the most effective tool to attain that capabilities. Discussion is different with dialogue as it will arrive at the agreement among members. Intel and Amazon have been pioneers in using the term "*disagree and commit*" to resolve the dilemma of making decision while many members don't agree upon which resulting to weak execution. This management principle states that individuals are allowed to disagree while a decision is being made, but that once a decision has been made,

everybody must commit to it.

To facilitate the dialogue and discussion, the master of mental model and personal mastery discipline will be essential. If people, especially leaders don't beware of their own glass of viewing the world, they are not likely to accept other view, or called arrogant which is very insidious for organization.

### **What Will Look Like a Culture of Learning Organization?**

There are three common characteristics of culture we can infer from above five disciplines that a learning organization has. First of all, it is the awareness of underlying powerful assumption or mental model of each person, then the willingness to surface this assumption to evaluate and change if necessary to stay relevant with the changing variables of the world around. Then there should be the environment of psychological safety and respect that everyone can articulate one's view candidly and openly discuss about the facing issue. The culture where communication and dialogue are cultivated and inquired that people are committed to the shared vision of the organization.

### **What is Culture of Ambidextrous Organization**

Starting from 1990s, there were some researches about how some companies survive and last for hundred years, some could not, although these companies had the similar resources. The ambidextrous organization's term was born to explain those lasting companies. In general, ambidextrous organization has at the same time the ability to exploit its mature running market and ability to explore the new venture or opportunity. Exploration includes things such as search, variation, risk taking, experimentation, flexibility, discovery or innovation, whereas exploitation includes such things as refinement, choice, production, efficiency, selection, implementation, and execution (March, 1991).

The exploitation and exploration ability is grounded by the opposite cultures. To promote the exploration with speed and flexibility, the culture should have characteristics of an entrepreneurial organization with speed, experimentation, willing to take risk, informal and close relationship among employees... To promote the exploitation with efficiency and gradual improvement, the culture has the characteristics of the mature company that is hierarchical, process-based, slow in decision and short-term oriented... As human nature, we almost can be only right-

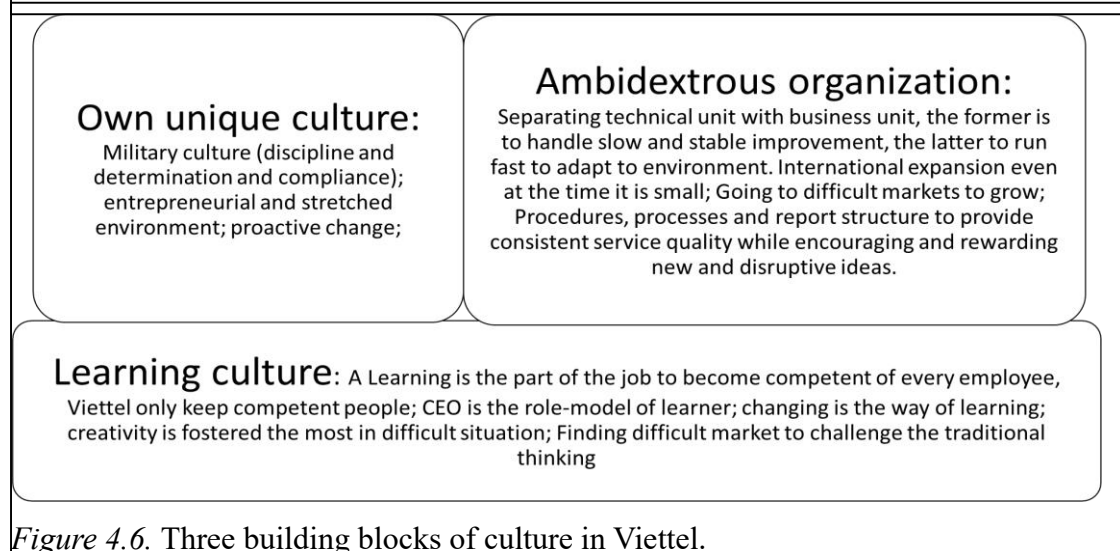
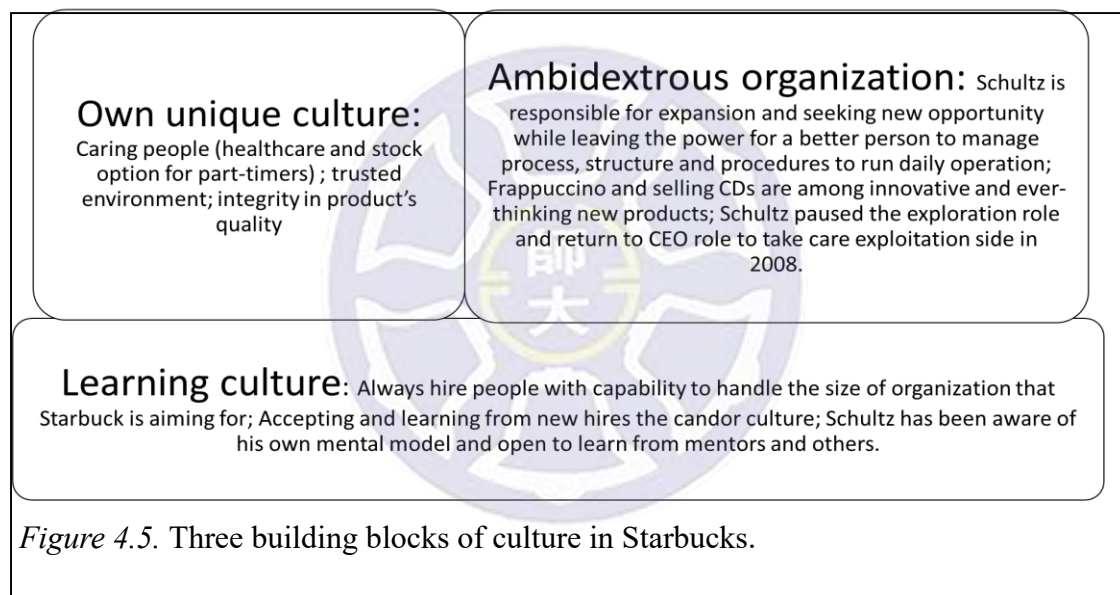
hander or only left-hander, so our organization is usually best either at exploration or exploitation. It is intuitive for us to understand why ambidexterity is the key to thrive in business today and in fact, many companies had done this strategy to sustain and transform themselves completely to survive over hundred years, such as Nokia since 1865 had been in the mill to electronic, to phone and now telecom infrastructure, and is continuous transformation in facing convergence of IT and telecommunication. The most recent transformation was that when Nokia was the biggest phone maker in 1990s, it invested new joint venture in telecom infrastructure which is now the main source of income after selling its phone business to Microsoft. If Nokia did not create an exploring telecom infrastructure business, we may not see the brand name Nokia being around anymore.

So the ultimate issue needed to be resolved is that how to cultivate and sustain the two opposite cultures in the same organization. According to O'Reilly and Tushman (O'Reilly and Tushman, 2016) in their research from empirical evidence that to promote the ambidexterity, organization usually has the ability to leverage existing assets to support the new venture (Nokia had been in phone making business with strong foundational knowledge of telecom industry to leverage its telecom infrastructure business); the support and commitment of senior leadership to provide enough resource for the new venture since the new venture could cannibalize or disrupt the existing business which lead to the resistance of current successful business; and separating existing and new business into different physical area that two cultures don't combat each other. The third element is the common way to cultivate at the same time two colliding cultures. The separation of physical area should not be too distant or it could be different floors in the same building or the neighborhood buildings. Leadership role would be the root of the ambidextrous capability as they are the source of culture creation and cultivation.

Also that how the balance of exploration and exploitation at the point of time is the key, as we could not just divide 50-50 resources at any time. In this matter, the Eastern culture could give us a hint, recalling to figure 3.2, Ying-Yang cyclical model, exploration and exploitation are similar to Ying and Yang, the organization has limited and stable total of resource, but the division of exploration and exploitation could be dynamic within the constant total to fit best to outside world.

## Putting Three Building Blocks of Culture Together

When we put three building blocks of the culture together, we could see an organization with very special and unique culture that is grounded by the environment where everyone keeps learning individually, shares one's knowledge, seeks the truth through discussion, dialogue and listening others. On top of this is the two separate cultures with similar ground, but nurtured differently to promoting the exploration and exploitation at the same time in the dynamic balance. Next case studies are the examples of finding these three culture blocks in successful organizations, one is illustrated from US and one from Vietnam. Although their cultures are different and even opposite somehow, but they have the similar three building blocks that probably the root of their current and future success. Here is the brief content of their culture put in my framework.



# **CHAPTER V CASE STUDIES OF DECIPHERING AND BUILDING THE THRIVING ORGANIZATIONAL CULTURE**

Following addressed theories in previous sections, I bring two case studies to see how theories are applied in practice. The first case study will be to decipher the three layers of Viettel's culture using our previous model and the use of culture as the source of ultimate strength to compete in international market. Viettel has been the biggest Telecommunication and IT corporation in Vietnam and operating in more than 9 foreign countries. In second case, I would analyze the presence of three building blocks of the thriving culture in the success of Starbucks.

## **Deciphering the Organizational Culture of Viettel**

I have some close friends working at various positions in Viettel, also I had some chances to visit its sites from 2008 to 2010. I try to decipher its culture using information gained from interviewing my friends (many informal talks about Viettel from 2008 to 2010 and continuous updates from him from 2010 up to now), recalling what I saw and felt when visiting Viettel's sites several times and researching published articles as well as some internal documents (cultural handbook from Viettel and public talks from its CEO). Viettel's culture deciphering is to use in the scope of this thesis only. Then I will use one of the true story about how Viettel used its culture as the weapon to compete successfully in very challenging market.

## **Introduction about Viettel**

In 2004, Viettel (Vietnamese stated-own company) was established with a vision to provide mobile network from their existing small business in VoIP (Voice over Internet). With capital asset was around 2 million USD and annual revenue at 3 million USD, Viettel decided to build and provide mobile network. Since the first launching of mobile network service on 15 October 2004. In 2014, Viettel has become the largest mobile network operator in Vietnam in terms of infrastructure, signal coverage and number of subscribers with more than 50% share of telecom market. Reported revenue in 2016 was around 10 billion USD with around 2 billion USD net profit. Viettel is now hiring more than 50,000 employees (Viettel's official website, 2016).

On 26 February 2008, Viettel launched the new mobile network operator in Laos, marked the initiative of global expansion. Figure 5.1 is the global report for Viettel presence and operation across the globe.

By 27 March 2016, Viettel officially was granted to operate in Myanmar with the promise of investing 1.5 billion USD to build and launch the telecom service.

Before 2004, telecom market was dominated almost 100% by 2 giant mobile operator, Vinaphone and Mobilefone which are subsidiary of state-owned VNPT corporation. Year 2012 is the remarkable milestone of Viettel for the first time its revenue was more than double of total those two operators' total revenue.

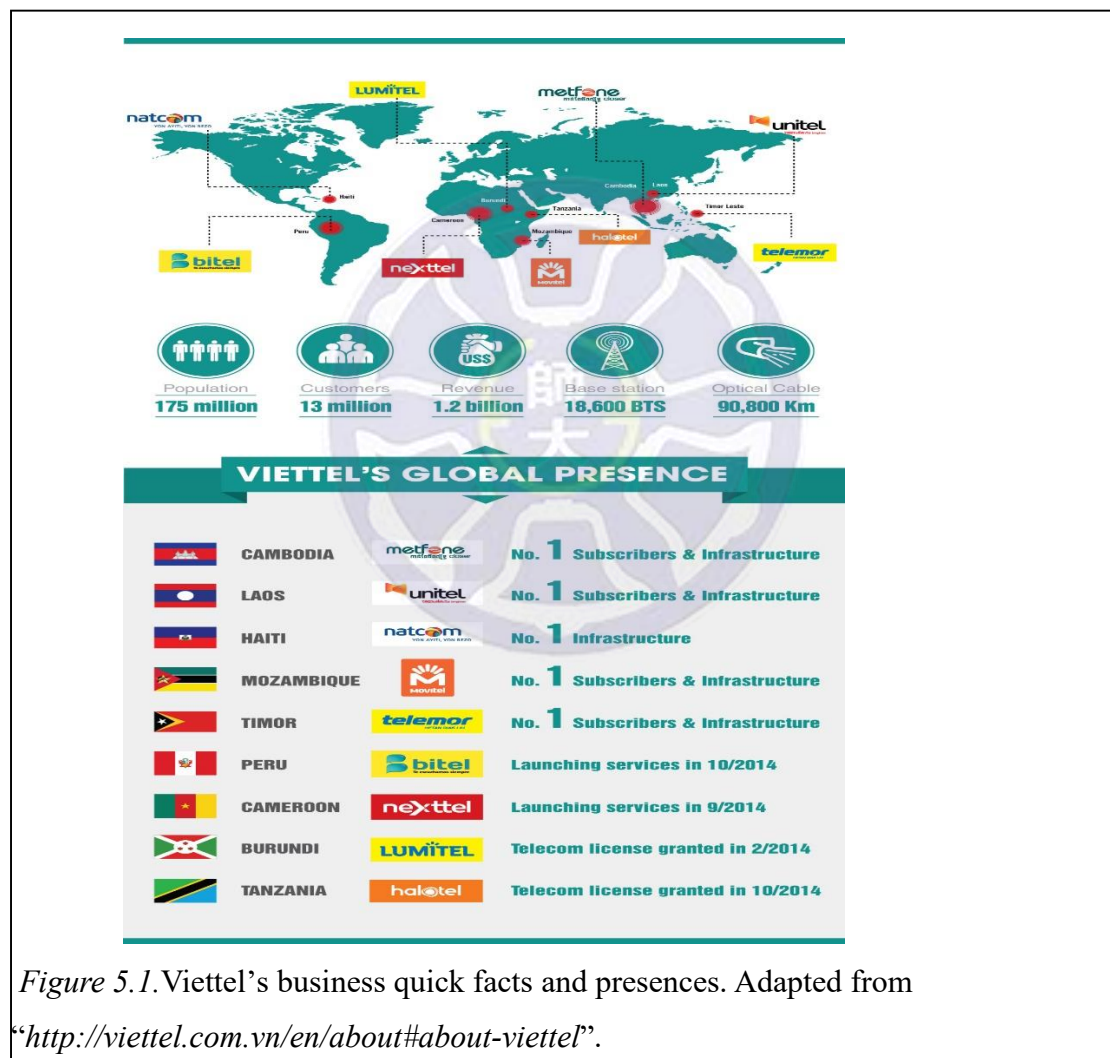


Figure 5.1. Viettel's business quick facts and presences. Adapted from "<http://viettel.com.vn/en/about#about-viettel>".

## Deciphering Viettel's Culture

### Viettel's culture artifact layer

In 2008 to 2010, I had many times to visit Viettel's site in Hoang Hoa Tham street in Ho Chi Minh City and one time visit to head quarter in Ha Noi City. Here is

my procedure to entering the site and what I usually saw in the office. When you arrive at the gate of Viettel, you will see there are two or more lieutenants standing as the security guard. The check-in process takes you sometime since you need to sign on a paper, call to the person you want to meet to escort you entering the site. When you enter the office, the atmosphere is little tense. Employees are focusing on their task with little discussion and teasing as we usually see in most of offices. The time principle is strict here, that employees could not enter the site after 8AM and will be asked for the reason if they leave before 5PM. It is explained by that Viettel is operated as the business entity under military. So time constraint is understandable.

Another feeling is that Viettel's employees work very hard, and seem stretching with many assignments and reports. The detailed understanding of the task and in control of issue from requirement of managers there reinforce employees to master their responsible zone, so to compensate the hard working, they are good at handling technical issues. These had been observed when I joint the weekly meeting between vendors and Viettel's team, the purpose of this meeting is that Viettel will check every raising issues with vendor to know the progress and find out next step or solution. Viettel's engineer needs to know the detail of the issue and report to their manager in the meeting how they had contacted to vendor to solve the issue. Then the vendor's engineer needs to confirm and address the next steps or the current progress of the solving issue. At one of the meeting in 2009, the foreign expert of a vendor was surprised and accredited to the report that Viettel's engineer had solved the problem by themselves by modifying the software's codes. In some social coffees with the vendors, they often appreciated Viettel's capability in technical detail and handling.

The organizational structure is setup in the way to accommodate the basic assumption about 95% and 5% of workforce (next section will explain this belief). The highest layer with senior staffs to form many communities and write the standard procedure which will be followed by lower seniority. At the junior level, employees need to learn and know what procedure to take (there had been many procedures issued by the senior team or management team to indicate the flow and steps taken for a specific task). Every year, there is an examination that assess all the employees as the standard for appraisal and seniority promotion (the exam is hold by the HR team in each region, and the criteria to select and assess is publicly distributed to every employee). Viettel also pays higher than market for most of positions (the salary report from HR agencies in continuous year from 2007 up to now).

Employees are very resilient and willing on organizational and mode of operation change, they have almost no worry or concern in any significant change. Since every six months or one year, the change is always happened. The consistent and living culture had made big impact on Viettel employees' willingness to change that we don't easily find outside (we can say Viettel's employees have been familiar with frequent changes, so their willingness and readiness are higher than others).

### **Viettel's culture espoused belief and value layer**

Discipline is a norm (military's norms and spirit): Developing strict discipline, solidarity and acceptance of hardships while being devoted to the job. Performing in a decisive, quick and thorough manner. Actually, the English translation of this value perhaps do not reflect accurately the whole meaning of this same value in Vietnamese. Here I would like to elaborate and detail this value further. This value somewhat comes from macro culture that Viettel is nested in. It is a company under military unit, the government allows some military units involving in business to reduce the burden of governmental budget for defense. As such, we can see that senior managers in Viettel holding rank in military. For example, the CEO is ranked as the Major General, all Vice Presidents holding the army ranks, ranging from Colonel to Major General as well. Also that if an employee has potential to climb up the corporate ladder, he/she will be designated to join series of training as the prerequisite for becoming army rank. Then he/she will get promoted to be a relevant rank in military before officially promoted to next organizational title. Over a thousand years struggling with China, more than hundred years fighting with Western nations' invasions and finally made the completely independent revolution in 1975, Vietnamese military had imprinted and cultivated the long-historical culture that earning lot of respect from Vietnamese people.

To run company, we need 95% of ordinary people and 5% talent: Talent is scarce, so if we fill up the company with thousands of talents, how long it takes and how much cost and effort are spent. Business and opportunity are not waiting for finishing filling all positions with talent. So Viettel see that there are some jobs that are not necessary to have a talent to do that. For example, monitoring engineers who sit in the Network Operation Center, they just need to follow a pre-defined procedure to inform any arisen issue to relevant team to solve it, so Viettel hires ordinary people to perform this job. In the other hand, Viettel seriously seeks and nourishes potential talents to fill the pool of at least 5% out of total workforce. Viettel started a program called "talent pool" from

year 2010 to promote very senior and potential employees in each line of job. These people have higher salary and work together to create the procedures which then are followed by junior engineers, embrace ideas and consult to company in their area of expertise. Viettel also created a leveled seniority of the job where specific requirement and qualification of each level are indicated. Every employee need to pass these level-relevant requirement and qualification to be promoted up.

Only thing never change is changing and evolution rather than revolution: Viettel is aware that changing is the must in today's rapid changing technology-driven-business environment. It reinforces this idea strongly in its strategic organizational structure change every six months or one year and also the continuous evolution in top leader's perspective of doing business. From some first times, it was difficult for employees to accept and adapt to the change, but gradually, their willingness to the change is much higher which create the flexibility and agility of making any change to adapt with outside world. For example, if you are in any company, when you hear about structural change or new way of doing thing, you will have a resistance by nature, but in Viettel nowadays, when employees are communicated about the change, less resistance is observed, instead lot of constructive opinions given to facilitate the change. One of the first all-hand meeting (business term refers to the meeting that all employees are invited to join, either by going to the hall or by virtual room using internet. In many corporate, this meeting happens once per quarter) in 2015, Viettel's CEO had given employees another definition "evolution rather than revolution", he explained that in others companies, they don't want to change until business condition force them to change and that change is really painful since they need to layoff and re-structure the whole organization. In Viettel, they don't want to end at that kind of revolution, rather than a so deep and hurting change, they will change themselves gradually before that, called evolution. In this way, it can still retain and reuse its workforce and react more timely under any business condition.

There are no extraordinary people, only people do the extraordinary things: As usual, company will seek a candidate with rich experience to take over the demanding position, but Viettel insists in using their internal people who are under long-term commitment and engagement with company. If top leaders see a potential from any one, they will put an over-challenge to him/her. As we can see almost senior directors in Viettel that 5 to 8 years ago, they were engineer or sales. There are many meetings in Viettel where Mangers can examine and hear the report carefully about the situation

every day, especially top leader daily meeting. In this way, senior managers can detect and supervise any newly arising issue to respond swiftly. Also another benefit of daily meeting is to supervise and guide the newly promoted managers if anything begins out of control or new managers don't have experience to deal with. Another words of this basic assumption is that "full people's potential is unleashed under survival threat", meaning that giving ordinary people a circumstance of extreme difficulty or survival challenge, they will be creative and brave enough to deal with it that in normal circumstance, they never thought they can do that. It is reflected in the way Viettel assign job and goal for employees as they are always heavier and beyond their imagination. As the result, Viettel have been moving so fast that it surpasses its competitors in very short time in all markets.

Every morning, we need to run, no matter you are lion or you are deer: Since offering mobile network service in 2004, Viettel always recognize that telecom market was mature, that there is little room for new players, especially in developed countries. That's the story of developed countries, there are significant potential markets in developing countries. But these markets are very difficult to deal with due to many political and social issues. Viettel dedicated themselves to do the hard job, to conquer difficult market. As you can see, all of 11 countries Viettel is operating are developing countries and very difficult markets that no giant telecom operators want to go there. This text has been hung on some office walls for many years and still remain there. The narrative is that in Africa, every morning, if you are a lion, you need to run faster than the slowest deer to catch it, otherwise you are in hunger to death. If you are a deer, you need to run faster than the fastest lion, otherwise you will be caught and eaten. So you need to run to not being death. At Viettel, every morning coming to office, you need to run.

There are more beliefs and values which Viettel has been articulating and applying in daily practice, but these are some of most mentioned and pursued beliefs and values in Viettel.

### **Viettel's culture basic assumption layer**

Usually, the successful company is the one has very few hidden basic assumption, since their leaders have spent significant time to identify, articulate and drive their organizational culture to the desired path. The same with Viettel, as senior leader really care about cultivating the culture, they have spent lot of time to reflect,

articulate and reinforce their beliefs and values, so the number of hidden basic assumption is smaller over time. Besides that, this is the deepest and most difficult layer to decipher in any organization as we need to stay and live with them long enough to recognize them. From to my understanding, one of basic assumption that Viettel's people, specifically senior leaders are holding is that human by nature is not good that they need to be in controlled. So employees very often are reinforced to the new policy which was very strict and made no sense. For example, in 2010, there was a policy that company will hold all the employee's passport, if any one needs to go abroad, he/she must apply to the headquarter and get approval to borrow back his/her passport in allowed duration. Some other examples are that each of new onboard employee must spend two weeks to learn company's culture handbook, then the closed book examination will be conducted to be one of criteria to determine the score to pass the assimilation period. Only if passing this period, new hires can be offered to sign the official employment contract; or in some occasions, Viettel's managers suddenly stop at any employee to ask them how many procedures they need to know and follow in their area of job or the detail of procedure how to conduct the official tasks.

### **Viettel's Using its Unique Military Culture as The Weapon to Compete in Difficult Market.**

Following real story will illuminate how important unique military culture create unique competency of Viettel in doing and expanding its business. This story is translated and added some more info to make the content more comprehensive by me from the Vietnamese version of story told by Viettel's CEO Nguyen Manh Hung in his talk about entrepreneurship in October, 2016 and retrieved from (<http://dantri.com.vn/kinh-doanh/7-kinh-nghiem-cua-ceo-viettel-danh-cho-ban-tre-khoi-nghiep-20161108110512223.htm>):

In 2015, almost instantly after building telecom infrastructure and opening the new telecom business in Burundi, there was a military coup in May. Most foreigners working at Burundi fled to adjacent countries in facing the threat of arm war. Telecom was operated mostly by foreign operators, Viettel is one of them. The CEO, Mr.Son, of Viettel subsidiary, Lumitel, which is operating the new brand there, had called back to the Board of Managers in Vietnam, reported the situation. The BOM had asked him about his decision to do next as he was the one that knows best the circumstance. "We will stay there, no fleeing out, this situation is not as much dangerous as the time we

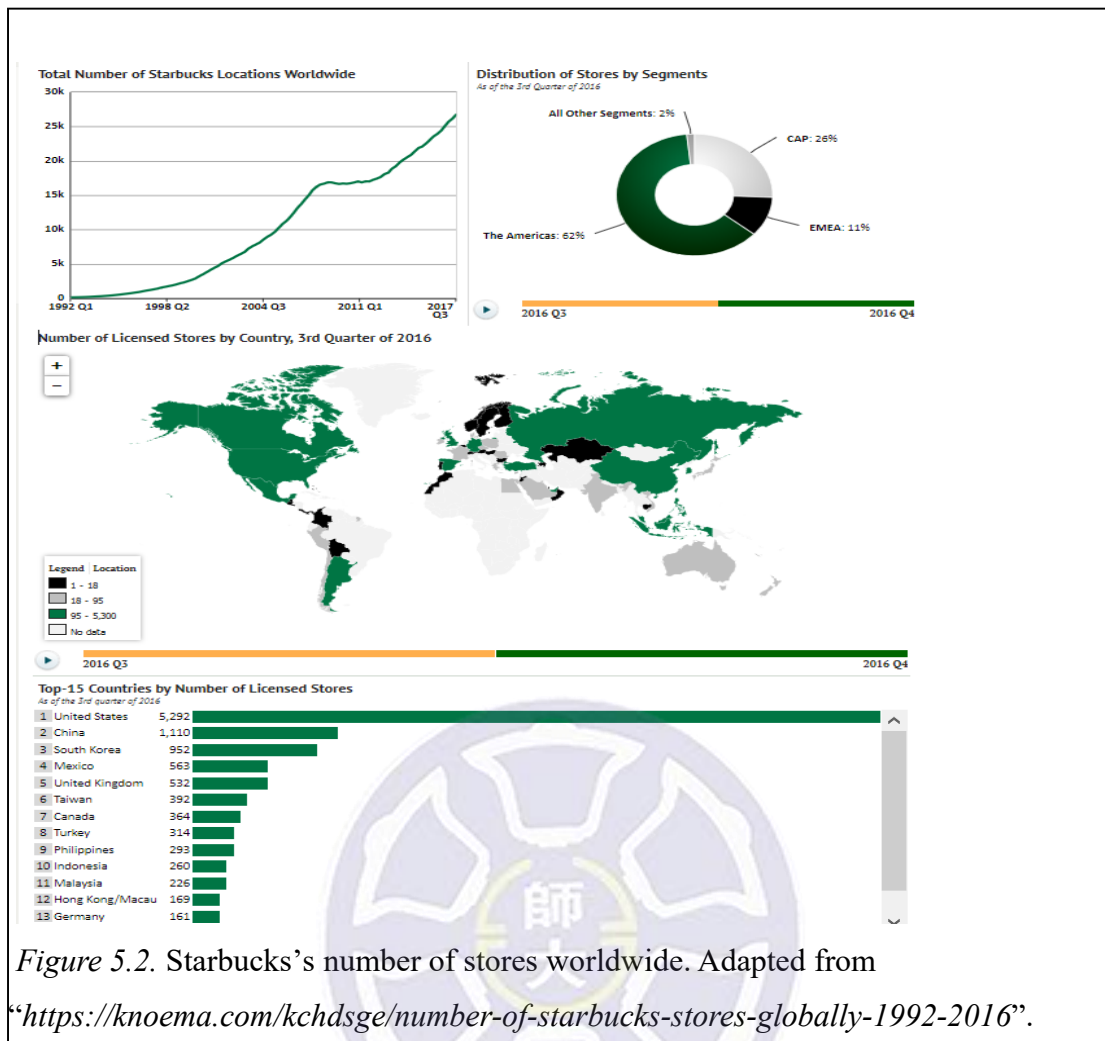
faced with bombing from American to our capital, Ha Noi, in 1972” (there was 49 days of continuous bombing from American with its heavy carrier B-52 to Vietnam’s capital, Ha Noi, in 1945 which almost destroy large part of the city, as that over 49 days, people had been living in the deep tunnel), he replied. BOM said it is dangerous, how can you deal with that situation. Mr. Son said “we had plan already, as we have the cellar at the base station (base station is the telecom equipment deployed in each zone to provide enough signal for phone to receive and transmit the call and internet), we can take the shelter there from any arm threat”. Mr. Son had been a soldier before and Viettel’s employees have several weeks each year to attend the military training, it is the reason they were not afraid of this hardship and be able to assess the risk and find the shelter at emergent time from their instinct, told by Viettel’s CEO Mr. Hung. With this brave decision, no one was injured, they managed the telecom system of Lumitel stable and under service during the coup while other operator’s services were interrupted and roamed all calls to Lumitel. Coup was over and people there saw and appreciated the bravery and commitment that Viettel people had made, they changed their subscriber to Lumitel in mass subsequently. Just over 6 months from the commence of its network, Lumitel had become the largest operator in Burundi. Mr. Son had been promoted immediately and this story have been recorded and disseminating over the corporation as the evidence of how Viettel people apply and live their core values.

### **The Presence of Three Building Blocks of a Thriving Culture from Starbucks’s Success**

In this case, I will base on the story told by Starbucks’s founder, Howard Schultz (Schultz and Yang, 1999), to analyze the presence of three building blocks of a thriving culture mentioned in previous sections in the success of Starbuck since its inception.

#### **Introduction about Starbucks**

Starbucks is a roaster and retailer of whole bean and ground coffee, tea and spices. The first Starbuck store was opened in 1971 in Seattle’s Pike Place Market. Nowadays, it is the biggest coffeehouse chain in the world in term of revenue, presence and number of stores around the world and there are approximately 26 thousand retail stores in 70 countries. Starbucks’s revenue and profit are approximately 20 billion dollars and 3.6 billion dollars in 2015.



## Unique Culture at Starbucks

Coming from the blue-collar working family, his father was never happy with the job and always complaining, Schultz was determined to create an organization where the blue-collar workers or part-time employees could receive the similar benefit of white-collar workers. As Schultz wrote in his story (Schultz and Yang, 1999, Chapter 9):

I tried to make Starbucks the kind of company I wish my dad had worked for. Without even a high school diploma, he probably could never have been an executive. But if he had landed a job in one of our stores or roasting plants, he wouldn't have quit in frustration because the company didn't value him. He would have had good health benefits, stock options, and an atmosphere in which his suggestions or complaints would receive a prompt, respectful response.

Schultz had created the health care plan program for both full-time and part-time employees at Starbucks, a program has never existed in this labor intensive industry,

although in the late 1980s, health care cost was increasing significantly. While other companies tried to cut cost by reducing some of employee's benefit package, Starbucks spent more money on it. One of the most famous term that Starbucks use to indicate its employees is partner, Schultz wanted his Starbucks's people become its shareholders by offering the stock option for even part-time employees. In 1991, the Employee Stock Ownership Plan (ESOP) had been introduced to all employees of Starbucks, from then all of them have become the Starbucks's partners. In 2000s, Starbucks offered the college sponsorship program for those working at Starbucks want to pursue the higher education. All of these created a culture of caring people, lot of organizations espouse that they care about their people, but they don't have real actions enough to prove it, but at Starbucks, actions speak louder than words. The caring people's culture had another impact as it is the source of trust, as Schultz wrote (Schultz and Yang, 1999, chapter 9): "One day in early 1992, Martin came into the human resources department, bearing a letter, signed by an overwhelming majority of the warehouse and roasting plant employees, indicating they no longer wished to be represented by the union. "You included us in the running of this business," he said. "Whenever we complained, you fixed the problem. You trusted us, and now we trust you."

## **Learning Culture at Starbucks**

Don't Be Threatened by People Smarter Than You: Along the journey of rapid growth, Starbucks has been consistently hiring the people from the companies have size that is equal to the size for which Starbucks is aiming. It means that Starbucks always prepare ahead the people's capability to manage its future size, not current size. This belief also helps existing people learn from the new-hires from bigger organizations. As Schultz wrote (Schultz and Yang, 1999, Chapter 11):

To a lot of entrepreneurs, hiring more seasoned executives can be threatening, and actually delegating power to them is even more so. In my own case, I have to admit, it wasn't easy. My identity had quickly become so closely tied up with that of Starbucks that any suggestion for change made me feel as if I had failed in some aspect of my job. Inside my head, it was a constant battle, and I had to keep reminding myself: *These people bring something I don't have. They will make Starbucks far better than I could alone.*

Schultz was always aware of his limitation, or his mental model and keep challenging his own mental model to change his perception to the new that help

Starbucks grow. It is exemplified by the inviting Howard Behar to join Starbucks and learning the candor culture. Schultz wrote about his challenge and acceptance the new culture from Howard Behar (Schultz and Yang, 1999, Chapter 11):

By his very nature, he was many things that Starbucks was not. Like many Seattlites, Starbucks people tended to be reserved and polite, equating respect with a disinclination to openly disagree. The downside of this characteristic was that we would sometimes beat around the bush to avoid offending one another. We couldn't talk straight to underperforming employees. Howard Behar made us question that attitude. From his first day, he began openly disagreeing with me, and with anyone else, in meetings, on the roasting plant floor, in the hallways, wherever he happened to be.

Found by Schultz, Starbucks and Schultz are two entities but as we know in previous sections that founder is the source of organizational culture, so they are the united one in their similar characteristics. Schultz has vision, aware of his mental model, keep learning and is willing to be vulnerable that he does not know about what he does not know to achieve the personal mastery, so the same with Starbucks. Learning and challenging their mental model make them a real learner.

### **Ambidexterity at Starbucks**

Don't be threatened by process: Schultz did not mention about ambidextrous capability of Starbuck, but in the second half of the book, Schultz mostly talked about the subject of while keeping the process, structure to deliver consistent service to as many customers as possible, Starbucks still encourages and nurtures the entrepreneurial spirit that help to reinvent itself several times. He knew that he was not good at managing the process and structure, so he hired the best person to do it for him. He wrote (Schultz and Yang, 1999, Chapter 11):

Without romance and vision, a business has no soul, no spirit to motivate its people to achieve something great. But a successful company can't sustain itself on exhilarating ideas alone. Many business visionaries have failed as leaders because they could not execute. Processes and systems, discipline and efficiency are needed to create a foundation before creative ideas can be implemented and entrepreneurial vision can be realized. That's been a hard lesson for an entrepreneur of my temperament to swallow. I'm always afraid that, as we grow larger, Starbucks will become too bureaucratic, too process-oriented, too narrowly focused on specific functions at the expense of the passion and the need to achieve big dreams. It's an ongoing tension within the company. To be successful, every business needs to achieve a balance between the two forces.

And that requires leaders who both understand the vision and know how to put in place the infrastructure needed to realize it. Building processes is not a skill I have. It's beyond my interests and abilities. What I did to compensate, what every visionary entrepreneur needs to do, is find an executive who can build the infrastructure the company needs without sacrificing the need for innovation. But it has to be someone who also understands the value of unconventional thinking. At Starbucks, that executive is Orin Smith.

Frappuccino was one of the best product invention in Starbuck. As a true coffee drinker, Schultz never thought to sell any blended beverage at Starbucks (Frappuccino is the blended drink). Although customer complained about this lacking of blended drink a lot, Schultz resisted strongly the idea in early 1994 to sell blended beverage as it seemed to dilute the integrity as the true coffee drink of the Starbucks (Starbucks considers the true coffee is the one without adding any kind of flavors). But the listening skill and his nature as the entrepreneur and his awareness of his assumption had allowed him to taste this blended drink again and accept the fact from consumer's research. As the result, Frappuccino was nominated as one of the best products of the year from *Business Week* in 1996. So the same with music CDs sold in Starbucks's stores, as no one could imagine how can a coffeehouse sell music CD, under Schultz's leadership and the firing entrepreneurship from some of his colleagues, Starbucks has made many ground-breaking products up to now. Defying traditional thinking is the principle behind these inventions.

You Can Grow Big and Stay Small: this is the alternative way to say that you can be ambidextrous in business. Beside his direct support and commitment to new products, Schultz also tried to keep away the new product development from the bureaucracy of process and structure, as he has Orin Smith to focus on managing day-to-day operation and he focuses on the new product development. Schultz had imposed some beliefs and values to keep Starbuck ambidexterity such as: values don't wither as sales grow, keeping the minimal turnover rate to retain the intimacy with customers, higher salary and stock option for employees become partners, listening from the field and customers closely, growing the people to keep pace with the growth, and ensuring the two-way communication with its partners, etc. Another evidence is that from the beginning, Starbucks denied a lot of offers to license the stores, but over time as Starbucks had achieved the stability with standard process, structure and procedure, it started to license out the brand. Nowadays, almost half of Starbucks's stores in the

world are licensed stores.

In year 2000, Schultz officially stepped down as ceo (all job titles in Starbucks have been lowercased from the earliest years of its inception) and had focused on the exploration side, leaving the exploitation side to the responsibility of Orin Smith. But as financial crisis hit in 2007 and the too fast race to meet Wall Street's expectation, Starbucks started to fail sharply. One of the reason was that the culture of Starbucks had been diluted gradually in compensating for the expected fast growth such as the new baristas did not have time to have a complete training to make a great espresso, too many foods were put at the counter as trying to increasing sale that they invaded the coffee's smell and impression as the core product of Starbucks, etc. In 2008, Schultz returned back to ceo position to handle daily operation. In other words, he prioritized the exploitation over exploration to bring back the original culture of Starbucks as the foundation for the success of Starbucks up to now. We can see in this case how dynamic the Starbucks's founder has been in the balance of exploration and exploitation. Again, after some years of returning ceo, Schultz announced to leave this position and be back to a role as the one experiments the new direction and new products for Starbuck in 2017.



## CHAPTER VI CONCLUSION

Throughout the thesis, we have the brief understanding of organizational culture, the theory of three layers' model and how to decipher and change the organizational culture in desired direction. The Viettel's case study is illustrated the application of theory to decipher any organizational culture. However, the effort and capability to identify subtle happening things and time spending to decipher the culture are the key limitations for anyone wants to do this. It would be better and easier for internal leaders to decipher their company's culture as aware of organizational culture is like aware of ourselves. Because only when we know ourselves, then we can do the bigger things, just like Confucius said: "*when persons were cultivated. Their persons being cultivated, their families were regulated. Their families being regulated; their states were rightly governed. Their states being rightly governed, the whole kingdom was made tranquil and happy*". Culture is also the source of core competencies an organization has, as illustrated in Viettel's case study, organizational culture can be the weapon to compete in the market, and the success illuminates the role of the culture.

Knowing organizational culture is not enough for today's business, what to cultivate the culture to sustain and develop the business is the next important question posed to any reader. Over my limited research and finding, I figured out that there should be three building blocks of a thriving organizational culture including: unique culture, learning culture and ambidextrous capability. Starbucks's case study has demonstrated the presence of all three building blocks which has helped Starbucks thrive over dozen years and being continuous.

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# APPENDIX A FOUR LEVELS OF RELATIONSHIP IN SOCIETY

Adapted from “Organizational culture and leadership” by E.H. Schein, 2016, p.101:

## **Level -1. Exploitation, No Relationship or a Negative Relationship**

**Examples:** Prisoners, POWs, slaves, sometimes members of extremely different cultures or those we consider underdeveloped, sometimes very old or very emotionally ill people, the victims or “marks” for criminals or con men

**Comment:** We recognize, of course, that inside these groups intense relationships form and that if we choose to build a relationship with someone in this category we are able to do so. But we don’t owe them anything and don’t have an expected level of trust or openness with them.

## **Level 1. Acknowledgement, Civility, Transactional Role Relations**

**Examples:** Strangers on the street, seatmates on trains and planes, service people whose help we need, which includes professional helpers of all sorts whose behavior is governed by the defined role definitions in the culture

**Comment:** The parties do not “know” each other but treat each other as fellow humans whom we trust to a certain degree not to harm us and with whom we have polite levels of openness in conversation. Professional helpers fall into this category because their role definition requires them to maintain a “professional distance.”

## **Level 2. Recognition as a Unique Person; Working Relationships**

**Examples:** Casual friendships, people whom we know “as people,” members of working teams, people whom we have come to know through common work or educational experiences, clients or subordinates who have developed personal but not intimate relationships with their helpers or bosses

**Comment:** This kind of relationship implies a deeper level of trust and openness in terms of (1) making and honoring commitments and promises to each other; (2) agreeing to not undermine each other or harm what we have agreed to do; and (3) agreeing not to lie to each other or withhold information relevant to our task.

## **Level 3. Strong Emotions—Close Friendships, Love and Intimacy**

**Examples:** Relationships where stronger positive emotions are involved

**Comment:** This kind of relationship is usually viewed as undesirable in work or helping situations. Trust here goes one step beyond Level 2 in that the participants not only agree not to harm each other but assume that they will actively support each other when possible or when needed and be more open.

## **APPENDIX B GENERIC SUBCULTURE'S ASSUMPTION**

Adapted from “*Organizational culture and leadership*” by E.H. Schein, 2016, p.221-229:

### **Assumptions of the Operator Subculture**

- The action of any organization is ultimately the action of people. We are the critical resource; we run the place. The success of the enterprise therefore depends on our knowledge, skill, learning ability, and commitment. The knowledge and skills required are “local” and are based on the organization’s core technology and our specific experience.
- No matter how carefully engineered the production process is or how carefully rules and routines are specified, we know that we will have to deal with unpredictable contingencies. Therefore, we have to have the capacity to learn, to innovate, and to deal with surprises.
- Most operations involve interdependencies between separate elements of the process, so we must be able to work as a collaborative team in which communication, openness, mutual trust, and commitment are highly valued. We depend on management to give us the proper resources, training, and support to get our jobs done.

### **Assumptions of the Engineering Subculture (Global Community)**

- The ideal world is one of elegant machines and processes working in perfect precision and harmony without human intervention. People are the problem—they make mistakes and therefore should be designed out of the system wherever possible.
- Nature can and should be mastered: “That which is possible should be done”; Solutions must be based on science and available technology; Real work involves solving puzzles and overcoming problems. Work must be oriented toward useful products and outcomes.

### **Assumptions of the Executive Subculture (Global Community)**

- Without financial survival and growth, there are no returns to shareholders or to society.
- Financial survival is equivalent to perpetual war with competitors.
- The economic environment is perpetually competitive and potentially hostile; “in a war you cannot trust anyone.”. Therefore, the CEO must be “the lone hero,” isolated and alone, yet appearing to be omniscient, in total control, and feeling indispensable.
- You cannot get reliable data from below because subordinates will tell you what they think you want to hear; therefore, the CEO must trust his or her own judgment more and more (i.e., lack of accurate feedback increases the leader’s sense of rightness and omniscience).
- Organization and management are intrinsically hierarchical; the hierarchy is the measure of status and success and is the primary means of maintaining control. Though people are necessary, they are a necessary evil not an intrinsic value; people are a resource like other resources to be acquired and managed, not ends in themselves; The well-oiled machine organization does not need whole people, only the activities they are contracted for.