Birds of a Feather … Enforce Social Norms?
Interactions among Culture, Norms, and Strategy

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Up-front Note on Paper and Presentation

- Paper has yet not been updated with recent feedback and with some new ideas and insights. (New version is forthcoming)
- To simplify the presentation I will often use 'beliefs' instead of 'beliefs / preferences'

Core Ideas

Culture as
Shared Beliefs
and Preferences

Combination of
2 Mechanisms
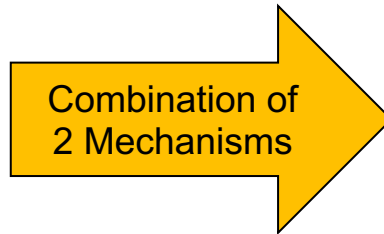
Social Norms

*(Incl. Enforcement of norms
that you disagree with!)*

Broad Implications

- Culture Change
- **Culture and Strategy?**
- ….

Culture as 'Shared Beliefs and Preferences' (VdS 2010)

- Culture =

    Shared Beliefs and Preferences

    E.g. shared belief in 'climate change', shared preference for 'no politics', shared preference for 'decisions by consensus'

- Two dimensions
    – Content: What are the beliefs?
    – Homogeneity / strength: How much/strongly are they shared?

- Captures core of Ed Schein's seminal definition in simple formal terms But also differs from Schein
    – Eg 'preferences' instead of 'values': not necessarily good or morally desirable (includes, e.g., 'dislike open disagreement' or 'old boys club')

Culture as 'shared beliefs and preferences' (VdS 2010)

- Formal results confirm Schein's ideas about origins of culture
  - Sorting and learning
  - Role of leadership

- But also gives extensive formal results on *performance effects* of shared beliefs/preferences (VdS 2010)
  - Improves motivation and satisfaction
  - Improves coordination and communication
  - Increases delegation, reduces monitoring, less influence activities
  - BUT leads to less experimentation and less information collection
  - Overall: better exploitation, less exploration

- ***Overall: Simple & transparent definition with lots of implications!*** (And easy to use in teaching)

Norms Mechanism 1 : Functional Homophily causes norms

- In an organization, each person is affected by actions of others. Each person wants these others to take the right actions

- Faced with differing fundamental beliefs, people will tend to hire and promote people with beliefs similar to their own, because such people are more likely to take the 'right' action
  - Especially for deeply held beliefs and preferences ('world views')
  - 'Functional homophily'

- However, beliefs are not observable
  => Hire & promote people who are *perceived* as having similar beliefs
  => There are benefits from acting *as if* you have the 'right' beliefs
          (and 'punishment' when deviating)
  This is essentially a social norm!
  (Note: the behavior itself matters less than what it reveals about you.)

- When norm enforcement is observable, you will *enforce a norm that you disagree with* (to look *as if* you have the right beliefs)

Norms Mechanism 2 : Homogeneity begets homogeneity

- Consider a company where 2 people are trying to hire a third

- If they have opposing beliefs, their desires to hire someone like them will cancel out

- If they have similar beliefs, their preferences for similar people will *reinforce* each other

- Homogeneity begets homogeneity: leverage on functional homophily Critical mass matters

Major Implications

- Norms as levers
  - Shared beliefs will seem more widespread than they really are
    - 'Believers' versus 'conformers'
  - Implications
    - People – conformers – can move between very different cultures
    - Change is possible without 100% turnover
    - Change can sometimes go quickly (when conformers 'flip')

- Potential disconnect between beliefs and norms
  - Enforcement of norms you disagree with can lead to complete disconnect
  - Opens another door to quick culture change

- Norms as control
  - 'Control' is one of the traditional management functions
    Culture has a powerful control function
    But culture itself is hard to control and fine-tune!

Further Implications

- Testable predictions: Norms are more likely
  - in attractive organizations that have a long future ahead of them
  - for behavior that is 'cheap' and valued
  - in settings where there is a moderate degree of dependence on others
  - when imposed on weaker members and those with unknown views

- Norms cause self-selection (=> feedback loop to shared beliefs)

- Implications for culture & norms *change*
  - Leverage 'conformers'
  - Leverage any disconnect
  - Use the fact that the same beliefs can be expressed in different norms (sense-making)
  - Culture clash can weaken norms and provide an opening

Culture and Strategy

- 'Culture eats strategy for breakfast'
  - Why might that be?
  - What can be done about it?

- Preview (of what follows)
  - Common view of 'culture as a resource' (Barney 1986) fails to explain some key observations on the interaction between strategy and culture
  - 'Strategy as core guidance' does explain why culture may create a more existential challenge to strategy
  - Implications of the current paper for that interaction and for managing the 'breakfast' issue

Culture and Strategy

- Traditional view in strategy of 'culture as a resource'
  - Culture is an input ('resource') for strategy (Barney 1986)
  - The 'breakfast' problem (from this perspective) = lack the right resource
    The solution (from this perspective) = 'just change culture'

- This misses an important aspect : Culture interferes with strategy on a more existential level than typical resources
  - Executives often ask 'what is more important: culture or strategy?'
  - But they do *not* ask 'what is more important: brand or strategy?'
    (and brand is a classic input or resource)
  - Culture is not just an input for strategy … but also a substitute !
    It can to some degree *take the place of strategy*

Culture and Strategy?

- 'Core Guidance' definition of strategy (VdS 2018)

  - Strategy = a few core choices to guide further decision making in the org

  - Key role of strategy = guide actions and decisions
    … but that is also what norms do!   They work at cross purposes!

  - (Without 'core guidance' view, difficult to appreciate the 'breakfast' issue)

- Strategy has a weak hand against culture

  - Strategy execution depends on *commitment* to the strategy
    (Strategy only really guides *if* everyone believes that others will follow it)

  - Strategy = 'words' that need commitment to be an effective guide
    <-> social norms have inherent commitment

- Traditional solution: 'just adapt strategy to culture'

  - But taking culture as a constraint
    => immobility (as culture change is difficult) => organizations suffer

  - Mark Fields, who popularized 'culture eats strategy for breakfast' was
    fired as Ford CEO for lack of a sufficiently radical strategy

Culture and Strategy?

- This theory suggests alternative perspectives and solutions
  - The problem = norms create commitments that may conflict with strategy

- Solutions based on this theory
  - Counter these norm-based commitments with other commitments (leadership!)
  - Mix-and-match: adapt to strongest norms, counter/change weaker norms
    - Culture is no monolith: changing one aspect can be sufficient
  - Leverage distinction "beliefs/preferences <-> norms" into change
    - Try to channel the shared beliefs into more compatible norms
    - Try to identify leverage points
      (conformers; misalignment beliefs vs norms; culture clash)
  - Use strategy change as a lever for culture change

- Strategy change, culture change, and leadership need to be approached in an integrated manner

- Moreover, this theory is recent; Further work should give additional insights and solutions

Conclusion

- Culture as 'shared beliefs and preferences' = a simple and powerful approach

- Leads naturally to the emergence of social norms
  - People may enforce norms that go against their beliefs (to look 'right')
  - A disconnect may develop between norms and underlying beliefs

- Significant implications for nature and effects of culture, for culture change, and for the interactions of culture with strategy
  - Clear and testable empirical implications

- Strategy needs to be thoughtful when dealing with culture (to avoid the 'breakfast' issue)
  - Understand 'points of resistance' and commitments that can neutralize these
  - Understand 'points of leverage' for culture change
  - Integrated approach to strategy and culture change

- Leads to great research questions!