Chapter 12

Corporate Culture as Coordination Mechanism

The concept of corporate culture has gained attention in International Management practice and research since the late 1970s. In particular, the success of Japanese companies with their different management style raised awareness of the so-called "soft factors" that strongly contributed to those companies' success. This Chapter explains the phenomenon and development of corporate culture and describes its contribution to the coordination of an MNC.

Introduction

While the traditional model of the MNC primarily focuses on coordination via formal (or so-called bureaucratic) mechanisms, where the performance and the behaviour of managers of foreign subsidiaries is tightly controlled and supervised, modern network-oriented models of the MNC propose the use of *normative integration* as the dominant coordination mechanism. Here, coordination is mainly provided through an organisation-wide culture. The employees and managers of the MNC accept and adopt the values and objectives of the company and act in accordance with them (Birkinshaw/Morrison 1995, p. 738).

Corporate Culture

Normative integration (also called *socialisation*) refers to building a strong *organisational culture* or *corporate culture* of known and shared strategic objectives and values (Egelhoff 1984). Corporate culture can be defined as "a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that 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" (Schein 2004, p. 17).

When considering corporate culture as a coordination mechanism, the focus is on the power of culture to shape behaviour and on the active and conscious socialisation of members of the organisation, in particular managers at HQ and the foreign subsidiaries, in a system of joint values, objectives and perspectives (Birkinshaw/Morrison 1995, p. 738). Coordination through *normative integration* means functional behaviours and rules for determining them have been learned and internalised by individuals, thereby obviating the need for procedures, hierarchical orders and surveillance. These formal mechanisms may be partially replaced by social integration, as individuals

D. Morschett, H. Schramm-Klein, J. Zentes, *Strategic International Management*, DOI 10.1007/978-3-658-07884-3_12

choose to do what the hierarchy would have ordered or what is prescribed by the procedures (Edström/Galbraith 1977, p. 251).

Corporate culture is a particularly important organisational attribute for companies operating in an international environment (Bartlett/Beamish 2014, pp. 288-289). First, employees come from a variety of different national and cultural backgrounds. Thus, management cannot assume that they will all automatically share common values and relate to common norms. Second, since subsidiaries and HQ management are separated by large distances, formal coordination mechanisms are often limited in their effectiveness. Therefore, shared values might be a more powerful coordination tool.

Levels of Corporate Culture

As with all cultural phenomena (see also Chapter 9 on country culture), most scholars emphasise that corporate culture has different levels. While Schein's well-known model includes three levels of culture (see Figure 7.1), most authors distinguish only two (Sackmann 2006, pp. 26-27; Kutschker/Schmid 2011, p. 675):

Percepta Level

- On the surface there is the level of visible *artefacts*, which includes all cultural phenomena that are easily perceived and can be empirically observed. This is also called the *percepta level*. The main *manifestations* of culture are the *behaviour* of the organisation's members and *symbols*. *Material symbols* include the company's buildings and architecture, the interior design, the work places, the dress code, etc. *Interactional symbols* include traditions, customs, rites and rituals as well as taboos, etc. *Verbal symbols* include the company's specific language, stories, myths, slogans, etc. (Schmid 1996, pp. 145-151).

Concepta Level

- The underlying foundation of corporate culture – its real cultural core – operates on a deeper level. This *concepta* level includes the basic assumptions, values, norms and attitudes that prevail in the organisation.

Several components of this cultural core can be identified (Muijen 1998, pp. 113-132; Kutschker/Schmid 2011, pp. 688-690).

Basic Assumptions

Basic assumptions are the deepest level of a corporate culture. They refer to general and abstract basic beliefs about reality, humans, society, etc. Usually, these basic assumptions are unconscious and become taken for granted. "In fact, if a basic assumption comes to be strongly held in a group, members will find behaviour based on any other premise inconceivable" (Schein 2004, p. 31).

Values

Values express essential consequences of basic assumptions. They define a set of normative and moral anchors that guide the behaviour of organisation members and provide a sense of common direction for all employees (Deal/Kennedy 1982, p. 21). Values reflect assumptions about what is right or wrong. The current shift of company practices and visions to include corporate social responsibility (see Chapter 13) can be seen as an enhanced relevance of certain values.

Norms

Norms are informal principles about what actions are expected in a particular situation. They are embedded in values and provide group members with standardised behavioural rules of a binding nature. Compared to values, norms are less abstract and more instrumental. They link basic assumptions and values to actual behaviour and offer guidelines for specific situations.

Frequently, the levels of culture are compared to an *iceberg*. The artefacts form the visible part of the iceberg that sticks out of the water. However, only the "tip of the iceberg" is visible and this tip rests upon a much larger and hidden basis – the assumptions, values, norms, etc. (Kutschker/Schmid 2011, p. 675). This makes it very difficult for researchers – and also company management – to capture completely understand a corporate culture. This is particularly true since many cultural phenomena are subconscious; even the members of the organisation itself are not fully aware of them.

Types of Corporate Cultures

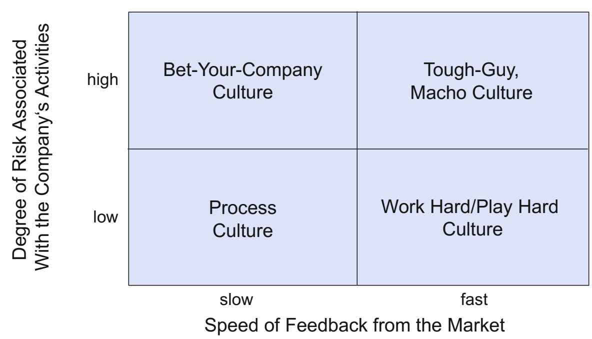
Corporate Culture in a Contingency Perspective

Given the complexity of corporate cultures, there are naturally many categorisations to be found in the literature. A well-known categorisation by Deal and Kennedy (1982) describes cultures from a contingency perspective. It is argued that external factors are responsible for the success or failure of certain corporate cultures. The model includes four types of culture (see Figure 12.1):

- A *tough-guy, macho culture* fits in industries in which success and failure occur very quickly. The risk attached to individual decisions is very high and feedback from the market comes very rapidly. Examples include venture capital companies, the media or management consulting. The focus is mainly on speed, not endurance.
- A *bet-your-company culture* fits where managers have to take very big decisions but years can pass before they pay off (or not). This high-risk, slow-feedback environment is present in the oil industry, in mining companies, in capital-goods companies, etc. These companies must invest vast sums in projects that take years to come to fruition.

- *Work hard/play hard cultures* are often found in sales-oriented organisations, e.g. automotive distribution or retail, as well as in fast-moving consumer goods. The employees of these companies live in a world of comparatively low risk, since no single sale, product or even new store is likely to be a huge success or dramatic failure for the MNC. Feedback is very rapid, often on a daily basis. Activity and dynamic change is highly important; more than other corporate cultures, this culture relies on competition and internal contests, including motivational events, company parties, etc.
- Finally, companies in industries where the market provides little or no feedback on employee performance and risks are small tend to develop a *process culture*. Public administration is a typical example of a sector in which this occurs. The financial stakes for each decision are generally low, but unlike in the *work hard/play hard* culture, employees obtain virtually no feedback. As a result, they have no idea how effective they are until someone complains. This lack of feedback forces employees to focus on *how* they do something, not *what* they do. The values in this culture focus on technical perfection, i.e., getting the process and the details right.

Figure 12.1 *Generic Corporate Cultures*



Source: Adapted from Deal/Kennedy 1982, pp. 107-108.

Effects of Corporate Culture as Coordination Mechanism

Organisational culture greatly influences the way the MNC operates. "Normative integration is the glue that holds differentiated networks together as entities called firms" (Nohria/Ghoshal 1997, p. 6). More practically, normative integration and shared values that are accepted and understood by the different members of an organisation guarantee that "the actors want what they should want and act as they should act" (Nohria/Ghoshal 1997, p. 118).

Decentralisation and Integration

A tremendous advantage of normative integration – a subtle, indirect and implicit mechanism – is that the subsidiary can act autonomously without direct orders from the HQ in daily operations, in a *highly flexible* manner and with the opportunity to adapt to the local context, and yet its conduct is still aligned with company goals. Instilling shared values and beliefs across subsidiary managers and HQ makes it more likely that subsidiaries will use their specific local knowledge and resources to pursue the interests of the MNC as a whole and not just their own partisan interests, even in the absence of formal control by HQ. It provides common rules for encoding, decoding and interpreting information and for achieving mutual understanding. In contrast with formal coordination methods, the direction provided to organisation members is aggregate rather than specific. Overall, normative integration allows for a more decentralised decision-making process (Baliga/Jaeger 1984, p. 27; Martinez/Jarillo 1989, p. 498; Birkinshaw/Morrison 1995, p. 738).

Monitoring through Interpersonal Interactions

Monitoring for normative integration occurs through interpersonal interactions. Since all members of the culture are familiar with and share its expectations, performance and compliance with the culture are observed by many members of the organisation and feedback is given verbally, often in informal conversations (Jaeger 1983, p. 94).

The positive effect can also be explained from the perspective of the *principal-agent theory* (see Chapter 6). Here, common values can be seen as a tool to reduce the risk of an agent's *opportunistic behaviour* since normative integration enhances the alignment between the objectives of the principal and the agent (Ouchi 1980, p. 138). Similarly, corporate culture should influence the negative assumption of opportunism in *transaction cost theory* (see Chapter 6). From the perspective of behavioural theory, a positive disposition toward the organisation created through normative integration may reduce opportunism (Ghoshal/Moran 1996, p. 21).

More concretely, corporate culture serves a number of functions within a company (Sackmann 2006, pp. 29-31; Kutschker/Schmid 2011, pp. 676-677):

- *Reduction of complexity*: Culture facilitates the daily business of the MNC. It serves as a perception filter, and the collective thought patterns provide situation-specific guidelines that link to established and proven behaviour patterns. It also supports the cooperation of individuals in an organisation by offering guidelines for behaviour and help in understanding and interpreting the actions of others.
- *Providing a source of meaning and motivation*: The specific content of the basic assumptions will influence the extent to which employees derive meaning from their work. Thus, the MNC's culture affects the motivation of employees and their willingness to put effort into the business, since it provides a legitimate basis and deeper purpose for actions.
- *Ensuring continuity*: The stability of a strong corporate culture protects the organisation from sudden, unplanned changes.

Commitment to the MNC

A further objective of normative integration is to create *commitment* to the MNC as a whole. In this context, "commitment" can be defined as comprising three elements (Edström/Galbraith 1977, pp. 255-256): *Identification*, i.e. adopting the values and objectives of the MNC as one's own; *involvement*, i.e. psychological immersion or absorption in one's work; and *loyalty*, i.e. a feeling of affection for and attachment to the organisation.

Developing a Strong Corporate Culture

A culture's primary characteristic is that it concerns aspects and thoughts that are shared or held in common by the members of a group (Schein 2004, p. 12). Therefore the main aim of a company intending to coordinate through normative integration is to create a strong corporate culture by inducing individuals to internalise the values and objectives of the organisation (Ghoshal/Moran 1996, p. 25). The following paragraphs present tools that are considered to be particularly important to affect normative integration in an MNC (Bartlett/Beamish 2014, pp. 288-289, 368-372).

Building a Shared Vision

The first instrument to achieve effective normative integration within an MNC is a clear, shared understanding of the MNC's vision and objectives. In a complex organisation like an MNC, every manager's frame of reference may be limited to their specific responsibilities. The only way to integrate specific responsibilities within a broader framework and give every individual's roles and responsibilities a context is by developing a clear sense of *corporate purpose*, shared and understood by every manager and employee.

Such a shared vision for the MNC should fulfil three criteria: clarity, continuity and consistency.

Clarity

- For a corporation's vision to achieve *clarity*, it has to be *simple. ABB* corporate vision can serve as an example: "As one of the world's leading engineering companies, we help our customers to use electrical power efficiently, to increase industrial productivity and to lower environmental impact in a sustainable way" (ABB 2014). The vision has to be *relevant* and important to the people concerned. The vision should not be too abstract; the broad objectives of the vision have to be linked to concrete agendas and actions. Finally, it has to be constantly *reinforced*, for example by always referring to the vision when developing annual plans or budgets.

Continuity

- *Continuity* of purpose underscores the enduring relevance of the organisation. Despite changes in the company's management and short-term adjustments, the broad sweep of strategic objectives and organisational values must remain constant over a longer period of time. Managers and employees in different parts of the world will only develop a shared understanding of the company's vision over time.

Consistency

- Finally, to be effective, *consistency* has to be ensured, i.e., that everyone within the MNC shares the same vision. Inconsistency, or strong subcultures, carries with it the risk of confusion and might even lead to chaos, with different units of the organisation pursuing policies and behaviours that are mutually conflicting. *Inconsistency* may involve differences between what managers of different organisational units consider to be the MNC's primary objectives.

Role Models

The second tool for creating a strong company culture is the visible behaviour and public actions of senior management. They represent the clearest role models for behaviour and provide a signal of the company's strategic and organisational priorities. A well-known example is Akio Morita, the CEO and founder of *Sony Corporation*, who moved to New York for several years to establish *Sony's* US operations, clearly emphasising the relevance of this overseas business. Another example is Richard Branson, founder of the *Virgin Group*.

Many strong corporate cultures are shaped by company founders or long-term managers. Often this is done through *charisma*, which is a particular ability to capture subordinates' attention and to communicate major assumptions and values in a clear and vivid manner (Schein 2004, p. 245). However, there are also more systematic ways for leaders to embed the organisation's culture in individuals. The following are the primary embedding mechanisms (Schein 2004, p. 246):

- What leaders pay attention to, measure and control on a regular basis.
- How leaders react to critical incidents and organisational crises.
- How leaders allocate resources.
- How leaders deliberately act as role models, teach and coach their subordinates.
- How leaders allocate rewards and status.

Heroes

Role models can be *founders*, *managers* or any other important person in the MNC's past or present. Sometimes these are seen as "heroes" that personify the culture's values (Deal/Kennedy 1982, p. 14). Jack Welch at *General Electric*, Gottlieb Duttweiler at *Migros,* Jeff Bezos of *Amazon* and many others are all role models whose behaviours and principles are known to almost every employee in the company.

Initial Socialisation

The development of an organisational culture through a process of socialisation includes communicating the way of doing things, the decision-making styles in the MNC, etc. (Martinez/Jarillo 1989, p. 492). Thus, an organisation has to pass on elements of its culture to new members of the organisation. Initial socialisation is particularly relevant since it provides the individual with a clear view of the work context, guides experience, and orders and shapes personal relationships. It educates new members of the organisation about the range of appropriate solutions to problems they may encounter during work, the rules for choosing particular solutions and the goals and values of the organisation (Maanen/Schein 1979, p. 212; Nohria/Ghoshal 1997, pp. 158-159).

Compared with organisations in which formal coordination instruments are dominant, MNCs with predominantly cultural coordination attach a higher relevance to *training* and *socialisation*. A new member of the organisation must not only learn a set of explicit, codified rules and regulations, but he or she must also learn and become a part of a subtle and complex coordination system which consists of a broad range of values and norms. Thus, the orientation programme for new employees is usually intensive, and new employees of foreign subsidiaries are more frequently sent to HQ or other subsidiaries for training (Jaeger 1983, pp. 94-96).

Human Resource Policies

To build common norms and values, a strong emphasis is placed on human resource (HR) policies such as the selection, promotion and rotation of managers (Edström/Galbraith 1977).

Members of an organisation that attempts to build a strong corporate culture must be integrated into the organisational culture in order to be functional and effective actors in the organisation. Therefore, *selection* of members is of prime importance. In addition to having the necessary hard skills for the job, a candidate must be sympathetic to the organisational culture and willing to learn and to accept its norms, values and behavioural prescriptions (Jaeger 1983, p. 94). *Promotion* policies can emphasise the relevance of technical skills or focus on the relevance of interpersonal skills and personal flexibility. *Measurement* and *reward systems* (see Chapters 22 and 23) can be built around different performance indicators, thus indicating their importance.

Intensive Employee Transfers

Continued international transfer throughout an employee's career is seen as a key tool for achieving normative integration, and is simultaneously a powerful means of facilitating the necessary information flow within the MNC (Martinez/Jarillo 1989, p. 498). These *job transfers* also help individual managers to understand how the MNC network functions, increase knowledge of the network, develop multiple contacts within it and increase the likelihood that these contacts will be used to support the overall strategy (Edström/Galbraith 1977, p. 251). This is automatically linked to a high proportion of expatriates in upper and middle management positions in foreign subsidiaries (Baliga/Jaeger 1984, p. 26).

Long-Term Employment

Another element of the HR strategy that facilitates the establishment of a strong corporate culture is *long-term employment*. It is generally emphasised that stability of membership in a group is necessary for the existence and continuity of a culture. Thus, a "hire and fire" strategy weakens the corporate culture, since MNCs cannot invest in an employee's socialisation if it is expected they will leave soon (Baliga/Jaeger 1984, p. 27).

Other Measures and Tools

In addition to the ones mentioned above, additional tools can be used to strengthen the corporate culture. These are essentially all instruments that are also used to promote formal and informal *lateral communication* between managers and employees in different organisational units, including:

- direct managerial contact through regular visits from HQ management to the subsidiaries and vice versa
- regular meetings and conferences

- permanent or temporary cross-country teams (like committees or task forces)
- integrated roles (e.g. managers serving as linchpins between different organisational units).

Together with the substantial use of *expatriates*, these activities can create informal and interpersonal communication networks between dispersed organisational units, contributing to the creation of a strong corporate culture and leading to normative integration (Edström/Galbraith 1977, p. 258; Nohria/Ghoshal 1997, p. 6).

Caveats of Normative Integration

Compared with bureaucratic control, the explicit *costs* for normative integration tend to be greater, involving greater use of expatriates and frequent visits between headquarters and subsidiaries, meetings, international task forces, etc.. In addition, intensive initial socialisation requires long and expensive training sessions (Baliga/Jaeger 1984, pp. 29-31).

Another concern is the limited ability of MNCs that are dominantly based on cultural coordination to handle employee turnover. This is a particular problem in industries with very volatile demand. If such a company needs to adapt its workforce accordingly, this would limit its potential to establish a strong corporate culture (Baliga/Jaeger 1984, p. 36).

Culture is also a stabilising factor. While this is often valuable, it can cause difficulties when adjusting to major environmental changes. Most changes in a corporate culture must be incremental, because people's beliefs cannot be changed quickly (Baliga/Jaeger 1984, p. 36).

Three Culture Transfer Strategies

Finally, a major question for an MNC is whether it is possible and effective to transfer a corporate culture into a host country which may be strongly divergent from the home country culture. Organisational culture is very often embedded in the national culture of the home country (see Chapter 9). In the case of an MNC, however, the organisational culture has to spread across different national cultures. Generally, an MNC has three options for its culture strategy (Scholz 2014, pp. 469-471):

- a *monoculture strategy* in which the corporate culture of the parent company is transferred to all foreign subsidiaries
- a *multiculture strategy* where all foreign subsidiaries are allowed to develop their own organisational cultures which can then be closely aligned to the host country cultures

- a *mixed culture strategy* where a homogeneous or at least harmonised corporate culture develops as a *synthesis* between the parent company culture and the cultures of the different foreign subsidiaries.

In the case of a multicultural strategy, the MNC consciously avoids using cross-national normative integration as a coordination mechanism. Only the monoculture strategy and the mixed culture strategy actively use corporate culture as a unifying mechanism. In the case of cultural coordination, the internal values and behaviour patterns of the subsidiary must be similar to those of the headquarters and those of other subsidiaries, and a largely *homogeneous culture* must exist throughout the MNC (Jaeger 1983, p. 96). However, differences between subsidiaries need not be completely avoided. To a certain degree, these might even help exploit the advantages of being an MNC. But, a minimum level of harmonisation has to be ensured to avoid intercultural communication barriers and diverging sets of values within the MNC.

Conclusion and Outlook

Every company has a specific corporate culture – whether intentionally or not (Sackmann 2006, p. 26). If actively used, the coherence in values and objectives created by a strong corporate culture can be a powerful coordination mechanism, giving all managers and employees a common direction for their decisions and actions.

Corporate culture is a particularly important coordination mechanism in *transnational organisations*. Sufficient flexibility for each subsidiary to remain responsive to local differences while retaining enough consistency to benefit from global opportunities and synergies cannot be achieved through formal coordination alone (Martinez/Jarillo 1989, p. 500). With effective normative integration, foreign subsidiaries can be granted a high level of autonomy and the MNC can still be assured that their conduct is aligned with the company's objectives and strategies.

Further Reading

MUIJEN, J. van (1998): Organizational Culture, in: DRENTH, P.; THIERRY, H.; DE WOLFF, C. (Eds.): Organizational Psychology: Handbook of Work and Organizational Psychology, 2nd ed., London, Psychology Press, pp. 113-132.

SCHEIN, E. (2004): Organizational Culture and Leadership, 3rd ed., San Francisco, Jossey-Bass.

Case Study: Apple*

Profile, History and Status Quo

In 2013, *Apple Inc.* declared worldwide revenues of 170 billion USD, while maintaining over 400 retail stores in 13 different countries, employing approximately 80,000 full time professionals. The company´s product line consists of personal computers, portable media devices and digital music players. They also sell and deliver digital content, such as music, movies, books and games through their in-house online distribution channels: the iTunes Store, the App Store and the iBookStore.

Steve Jobs, *Steve Wozniak* and *Ron Wayne* founded *Apple Inc.* in the US state of California in 1977. Their first product – a micro-computer board called *Apple I* – was sold to small businesses. Their second model – the *Apple II* with an additional floppy disk drive and colour graphic interface – became the first globally successful *personal computer*.

Macintosh

In 1984, *Steve Jobs* was in charge of the *Macintosh* project at *Apple Inc*. With its highly innovative graphical user interface, the *Macintosh* became the first computer which could be utilised by ordinary consumers without any background knowledge or specific computer skills. Although the *Macintosh* was easy to use, the computer itself was a commercial failure and *Apple's* net income fell a daunting 17% in 1985. As a consequence of this mismanagement, the executive board ordered Steve Jobs to leave the company, shortly followed by *Steve Wozniak*.

From 1985 to 1993, *John Sculley*, a former *PepsiCo* CEO and marketing expert, was *Apple's* chief executive officer. He was hired by *Steve Jobs* in 1983, who reportedly asked him: "Do you want to sell sugared water all your life?" He and *Apple* faced massive competition from *IBM* computers, as well as rapid changes in technology. They also had to deal with the expanding field of venture capital-driven investments that created new competitors, combined with the uncertainty of which markets to aim for.

Sculley was unable to solve these problems, so *Michael Spindler* (engineer and *Apple's* former president) succeeded him, becoming CEO from 1993 to 1996. *Gilbert Amelio*, a PhD physicist and former CEO of *National Semiconductor*, was Apple's CEO from 1996 to 1997.

These rapid shifts in higher management positions inevitably resulted in a lack of consistency in the corporate strategy and culture. Furthermore, the

* Sources used for this case study include the website http://www.apple.com, and various annual and interim reports, investor-relations presentations and explicitly cited sources.

business market was almost entirely dominated by the cooperation between *Windows* operating systems and *Intel* processors. The lack of a consistent strategy resulted in a huge variety of products and projects, which were either never completed or completely failed.

Despite the huge success of the *PowerBook* laptop computer in the 1990s, various attempts to create a set-top box for TVs and infamous *Newton* personal digital assistant completely failed. *Don Norman*, a well-known design expert who worked as the vice president of an advanced technology company from 1993 to 1997, noted that more than 70 *Macintosh* computer models were released between 1992 and 1997. Critics identified that the rapid proliferation of models confused customers and increased complexity at *Apple*.

Steve Jobs and Tim Cook

Meanwhile, *Steve Jobs* founded *NeXT Incorporation* and the first computer animation film studio *Pixar*. In 1997, *Apple Inc.* bought *NeXT* for 427 million USD and *Steve Jobs* returned to the company as CEO. Immediately after his return, *Steve Jobs* drastically reduced the product portfolio, changed the distribution system, established the *www.apple.com* website for direct sales, and reintegrated himself into the process of innovation.

In 1998, *Tim Cook*, a former employee of *IBM*, became *Apple´s* new chief operating officer. As time moved on, Jobs and Cook drastically pushed the development of extremely original, creative, innovative and very successful products, like the *iMac*, the portable laptop *MacBook*, the music player *iPod*, the *iPhone* and the tablet PC *iPad*.

Thanks to this enormous progress, *Apple Inc.* became the world's most valuable brand in 2013, according to the *Omnicom Group´s* "Best Global Brands" report. Since August 24, 2011, *Tim Cook* has been the CEO, succeeding *Steve Jobs* who passed away the same year.

The most important brand values of *Apple Inc.* spring from the creative dynamic source of *Steve Jobs* and *Tim Cook*. Both placed particular value on *innovation*, *communication*, *high quality,* and *user experience*. They believed that *Apple* should not only be innovative in the technical sense of the word, but also in the sense that their products should fulfil and satisfy the needs of the customer, with clear advantages over competing products. Table 12.1 outlines these principles.

Table 12.1 *Apple's Brand Values*

Brand Values	Characteristics
Innovative	frequent hardware and software updates
Customer Support	highly trained and skilled retail staff; on-site ability for the customer to get their hands on the product
High Quality Products	high build quality; low error count in both hardware and software, therefore a low amount of customer complaints
Great Design	high attention to detail; an overall consistent brand image, reflected by design, form and function
Easy to Use	no previous background knowledge required

Source: Adapted from Apple 2014.

Corporate Structure

Apple Inc.'s headquarters are located in California. They also have office facilities in Cork in the South of Ireland. *Apple's* products are all designed in the headquarters in California and produced by *Foxconn*, a Taiwanese electronics manufacturing company. *Apple's* international activities are primarily focused on their retail stores. *Apple Inc*. run over 400 retail stores in 13 countries with highly standardised furnishings and a minimalist design, mostly located in hot-spot locations such as shopping malls and other highly frequented places. The company has cultivated a monoculture strategy and assigns its predefined brand values and norms to all international stores. There are no local adjustments to the products or services. On location, the highly trained staff provides product information, services and training for the operating systems and hardware to ensure a satisfying customer shopping experience. *Apple* sees offering a high quality sales and after-sales experience as the key to retaining existing customers and gaining new clients. The company currently sells and resells their own and third-party products directly to consumers in most major markets. For this reason, *Apple* could be seen as a work-hard/play-hard culture company. It's a sales oriented organisation, which currently generates 30% of total net sales through these direct distribution channels.

Passion

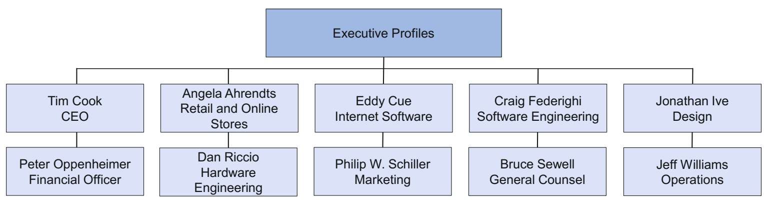
These high product and service quality standards became the underlying principle not only for the retail stores, but for every department at *Apple.* Steve Jobs always insisted that all members of the executive board be fully integrated and full of *passion* for the products they developed. He believed that, as long as all managers or leaders involve themselves in the development process, employees would follow. They have to contribute and become an important part of the products' success. *Jobs* always emphasised that strong leadership, appealing product characteristics and an outstanding user experience are far more important than simple economic rationality.

Biggest Start-Up Business Worldwide

Steve Jobs would often say that *Apple Inc.* was the biggest start-up business worldwide, because it was a gathering of teams, consisting of a leader with his fellow players, where each team was always responsible for a specific assignment. These tasks always varied depending on the given business processes, e.g. marketing, retail, design and engineering. *Apple* is split into ten departments as shown in Figure 12.2. The company's structure is characterised by minimal management layers, high levels of teamwork and overall confidence that every department will be able to accomplish its tasks in the most efficient manner without being constantly supervised. Therefore interpersonal meetings and verbal proposals became the most important management control tool.

Apple´s Departments

Figure 12.2



Source: Adapted from Apple 2014.

Working as an efficient "digital hub" is the primary vision, once espoused by *Steve Jobs* himself. Hence, all employees are urged to work as a team, raising industry standards and making the *Macintosh* into the workstation of choice for customers around the world. In addition, the software package *iLife* (including *iPhoto*, *iMovie*, *iTunes*, *Keynote*, *Numbers* and *Pages*) allows *Macs* to control mobile devices, cameras, music players, smartphones and all other office applications – a huge competitive advantage (Yoffiie/Rossano 2012, pp. 7-8).

Corporate Culture

Most prominently, *Apple* enjoys an unusually deep *brand loyalty* from their customers. Known for their highly innovative products and outstanding quality, their creativity arises from their organisational, employee and product value characteristics. The following analysis focuses on these different aspects of *Apple's* corporate culture.

Empowerment and Honesty

The first factor involves *internal communication* at *Apple*. *Apple* is not a company with strict processes and rules. Instead, they encourage an open and honest communication culture. Where other companies may not show much interest, *Apple* highly values the opinions and perspective of all its employees. The higher management always strives to include any internal feedback to improve the overall process. The goal is an atmosphere where *honesty* is the most valued characteristic and the key factor for product success.

This kind of commitment automatically ensures that the best ideas or best problem solutions will be communicated to the top managers as soon as possible. Furthermore, valuing employees' contributions and opinions lets them know how important they are to success factors and productivity, resulting in increased loyalty and passion for the company.

The multitude of different ideas creates a rapidly evolving process, influencing designs, products, services, processes and solutions, which are always being improved and refined through interpersonal communication. *Steve Jobs* focused exclusively on product improvement and success, not cost reduction or efficiency management, always striving for perfection (Lin et al. 2012, p. 2300).

Recruitment Policy

A fundamental part of this mentality is to recruit the right people for every task. *Apple* has crafted a highly complex and selective process to acquire only the best. Taking every possible dimension into consideration, they focus on the candidate's *vision*, *passion* and *personality*. *Steve Jobs* always had an eye for innovation and creativity, which were also a part of his character.

Interdisciplinary Collaboration

Jobs encouraged interdisciplinary collaboration across all departments. Even though every team worked on their own tasks, *Jobs* considered them as all being in the same boat simultaneously rowing towards the same product. An overall understanding of other parts of the company is a vital part of steady progress, because it enables sophisticated interdisciplinary problem solving. This coordinated approach also insures that the solutions reached can be integrated with the rest of the company. An organic approach ensures that these problems are recognised long before they would have been in a classical, linear approach (Lin et al. 2012, p. 2301).

In the 1970s, *Steve Jobs* proclaimed the advantages of personal computers for the individual customer – a revolutionary mindset in those days. Based on the idea that people should be able to use this technology without any background knowledge, he expected they would ultimately "fall in love" with computers. As time went by, this approach became the guiding principle for every development process, completely skipping any market research techniques. They relied solely on the idea that the leadership was able to anticipate the needs of people in the future and that the most elegant solution would most likely survive the selection process. This was supported by the cultural typology *Apple* established, which has strongly influenced the external perception of this brand worldwide (Thomke/Feinberg 2010, p. 2).

Summary and Outlook

Apple Inc. is committed to bring the best user experience to its customers through innovative hardware, software and services. The company's business strategy exposes its unique ability to design and develop its own operating systems, hardware, application software and services to provide outstanding products and solutions which are easy to use, seamlessly integrated and innovatively designed. Continued investment in research and development, marketing and advertising are critical to the development and sale of innovative technologies, which is a key factor of the brand value.

Summarising the corporate culture elements, the following factors are of upmost importance to *Apple*:

- Increase internal communication.
- The best ideas are obliged to be implemented, irrespective of their origin in the hierarchy.
- Inspire the employees and encourage them to voice their own thoughts.
- Focus on any detail which could increase value to the user.
- Pay attention to customer feedback.
- Define a vision for the company.

All these elements symbolise the company's philosophy on an abstract level. These elements of the corporate culture act as coordination mechanisms and engage the employees with the company's vision.

Questions

1. Explain and illustrate *Steve Jobs'* "digital hub" strategy.
2. How important was *Steve Jobs* to *Apple's* success, and how different is the vision of the company under CEO *Tim Cook*?
3. Due to the unbearable working conditions at *Apple's* supplier *Foxconn*, several *Foxconn* employees died in 2010. Evaluate the possible image damage Apple may face because of this incident.

Hints

1. Visit the company website and the annual report for further information.
2. See, e.g., Lin et al. 2012, p. 2298.
3. See Yoffiie and Rossano 2012.

References

ABB (2014): Our Strategy, http://new.abb.com, accessed on July 12, 2014.

APPLE (2013): Annual Report, http://investor.apple.com/secfiling.cfm?filingID=320193-95-16&CIK=320193, accessed on August 21, 2014.

APPLE (2014): Apple, http://www.apple.com, accessed on August 14, 2014.

BALIGA, B.; JAEGER, A. (1984): Multinational Corporations: Control Systems and Delegation Issues, in: Journal of International Business Studies, Vol. 15, No. 2, pp. 25-38.

BARTLETT, C.A.; BEAMISH, P.W. (2014): Transnational Management: Text, Cases, and Readings in Cross-Border Management, 7th ed., Boston, McGraw-Hill.

BIRKINSHAW, J.; MORRISON, A.J. (1995): Configurations of Strategy and Structure in Subsidiaries of Multinational Corporations, in: Journal of International Business Studies, Vol. 26, No. 4, pp. 729-753.

DEAL, T.; KENNEDY, A. (1982): Corporate Cultures: The Rites and Rituals of Corporate Life, Reading, Basic Books.

EDSTRÖM, A.; GALBRAITH, J. (1977): Transfer of Managers as a Coordination and Control Strategy in Multinational Organizations, in: Administrative Science Quarterly, Vol. 22, pp. 248-263.

EGELHOFF, W. (1984): Patterns of control in U.S., U.K., and European Multinational Corporations, in: Journal of International Business Studies, Vol. 15, No. 2, pp. 73-83.

GHOSHAL, S.; MORAN, P. (1996): Bad for Practice: A Critique of the Transaction Cost Theory, in: Academy of Management Review, Vol. 21, No. 1, pp. 13-47.

JAEGER, A. (1983): The Transfer of Organizational Culture Overseas: An Approach to Control in the Multinational Corporation, in: Journal of International Business Studies, Vol. 14, No. 1, pp. 91-114.

KUTSCHKER, M.; SCHMID, S. (2011): Internationales Management, 7th ed., Munich, Oldenbourg.

LIN, S.-P.; HUANG, J.-L.; CHANG, J.; KAO, F.-C. (2012): How to Start Continuously Improving Innovation in Organizational Knowledge, in: Technology Management for Emerging Technologies (PICMET), 2012 Proceedings of PICMET ’12, Vancouver, pp. 2290-2309.

MAANEN, J. van; SCHEIN, E. (1979): Toward a Theory of Organizational Socialization, in: STAW, B. (Ed.): Research in Organizational Behavior, Greenwich, CT, JAI Press, pp. 209-269.

MARTINEZ, J.; JARILLO, J. (1989): The Evolution of Research on Coordination Mechanisms in Multinational Corporations, in: Journal of International Business Studies, Vol. 20, No. 3, pp. 489-514.

MUIJEN, J. van (1998): Organizational Culture, in: DRENTH, P.; THIERRY, H.; DE WOLFF, C. Eds.): Organizational Psychology: Handbook of Work and Organizational Psychology, 2nd ed., East Sussex, Psychology Press, pp. 113-132.

NOHRIA, N.; GHOSHAL, S. (1997): The Differentiated Network: Organizing Multinational Corporations for Value Creation, San Francisco, Jossey-Bass.

OUCHI, W. (1980): Markets, Bureaucracies, and Clans, in: Administrative Science Quarterly, Vol. 25, pp. 129-141.

SACKMANN, S. (2006): Success Factor: Corporate Culture, Gütersloh, Bertelsmann Foundation.

SCHEIN, E. (2004): Organizational Culture and Leadership, 3rd ed., San Francisco, Jossey-Bass.

SCHMID, S. (1996): Multikulturalität in der internationalen Unternehmung, Wiesbaden, Gabler.

SCHOLZ, C. (2014): Personalmanagement: Informationsorientierte und verhaltenstheoretische Grundlagen, 6th ed., Munich, Vahlen.

THOMKE, S.; FEINBERG, B. (2010): Design Thinking and Innovation at Apple, Boston, Harvard Business School Publishing.

YOFFIIE, D.; ROSSANO, P. (2012): Apple Inc. in 2012, Boston, Harvard Business School Publishing.