

Make corporate culture work for you

Asian managers need a much more empowered culture that reflects openness to change and more engaged employees

By HOWARD THOMAS

MENTION Japanese cars and most people would think of sound technology and high reliability. After all, Japanese car manufacturers talk about their corporate culture of striving for perfection and continued improvement or *kaizen*.

So, what happened then in the case of Toyota, the world's largest automaker, which faced a massive recall in light of safety complaints in its cars?

The Toyota example illustrates the double-edged nature of corporate culture, which can be described as the underlying assumptions, beliefs and values in an organisation, which inform, influence and shape strategic decision-making.

In Toyota's case, its relentless growth reinforced its rather conservative culture. Its overconfidence in its own technology, its corporate size, bureaucratic culture and lack of openness to divergent views made it insensitive to changes that were taking place both in its internal and external environments. The response of Akio Toyoda, president of Toyota, has been much criticised and, for him, "sorry" is indeed the hardest word.

Indeed, organisations like Toyota can become trapped by their coherent cultures into routines that impair development of new and different strategies or impede change. This lessens their ability to sustain a competitive advantage. Organisational culture then constrains rather than enhances strategic decision-making.

But, corporate culture is not all bad.

Jim Collins and Jerry Porras, in their landmark book, *Built to Last*, argued that successful companies were those where core decisions were influenced by timeless guiding principles. These principles required no external justification and represented the key values and "cultural glue" of the organisation that holds it together in the face of challenges and changes.

So long as key decisions were taken in line with these cherished principles, outstanding and sustained performance resulted. In essence, strong core ideology and culture is a core capability for long-term competitive advantage.

A good example of this would be Johnson & Johnson's use of its credo – its core ideology – to handle the recall of its Tylenol pain relievers. The company's credo starts out with this line: "We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services."

Thus, even though the cost of the recall was considerable, it managed to mitigate the damage to the company's reputation. On the contrary, it reinforced the trust among consumers in the company that it would act responsibly above and over profit margins alone.

It is thus imperative for deci-



Just following the leader: Asian managers exhibit a number of cultural, capability gaps which include a strong acceptance of hierarchy and authority, where everything the boss says goes; an aversion to risk-taking and making mistakes; a lack of engagement in constructive dialogue and debate in decision-making groups; and an inadequate global mindset and grasp of diversity

sion-makers to understand whether their firm's corporate culture is aiding its success or impeding it. But spotting the difference can be difficult since choice-enhancing factors can resemble "mindguards" that detract from innovative thinking. So the firm's culture might then have to be adapted in strategic change through organisational learning.

Culture and learning

Peter Senge, the father of organisational learning, stresses the role of learning and adaptability processes in organisations. These processes help the organisation understand the pace of strategic change and provide new ways of conceptualising the business environment.

He distinguishes two types of learning: adaptive and generative. Adaptive learning is the first stage in moving towards learning organisations, which helps organisations respond and adapt effectively to environmental change. Generative learning, however, is about creating and expanding the capability of an organisation.

Organisational thinkers such as Arje de Geus consider the firm as a "living company". Living companies survive over the long term through concrete factors such as financial

strength and stability, environmental sensitivity and adaptation to change. A strong culture, identity and value system enable it to become a systematic, living organism that grows and reinvents itself.

Leaders of such organisations are "system thinkers" who can see the "big picture" and focus on understanding the underlying reasons and forces of change. An example of such a leader is Nissan's president and CEO, Carlos Ghosn, who is the first non-Japanese to lead a major Japanese automobile manufacturing corporation.

Such leaders are able to:

- ◆ see the interrelationships and processes in systemic change;
- ◆ focus on high-leverage areas where small well-focused actions produce significant and enduring improvements; and
- ◆ avoid "quick fixes" or "band-aid solutions", to find enduring solutions that create value.

Another example of leadership which sees the "big picture" can be found closer to home in the person of Philip Ng, who leads Far East Organization.

Far East has transformed itself in the last 50 years from an entrepreneur-led organisation (a family busi-

ness) to a strong Singaporean company which has spread its reach to alliances in Hong Kong. It has even taken over food and beverage company Yeo's.

Throughout its growth, it has emphasised an entrepreneurial culture, team organisation and service excellence. Its business model has adapted to local needs and scope, hence gaining competitive advantage, keeping multinationals at bay. Further, it has invested in talent and encouraged an entrepreneurial spirit and good customer stewardship.

Culture and values

Trust and reputation (image and identity) are core cultural and intangible assets for the implementation and execution of strategy.

Trust involves creating a strong sense of mission and values. It is about creating a core ideology that is the "glue" that holds the organisation together over time and a consistent identity that all stakeholders learn to trust over time.

A core ideology consists of core values and a core purpose.

Hewlett-Packard's code of ethics – "the HP way" – is an example of core ideology. It includes having a deep respect for the individual, a dedication

to affordable quality and reliability, a commitment to community responsibility, and making contributions for the advancement and welfare of mankind.

Trust needs to be earned but can be easily lost, as can be seen from the examples of Johnson & Johnson and Toyota above.

A key set of intangible assets are the firm's reputational assets. These include the company's name, identity, brands, brand image and customer-based loyalty, the reputation of the firm's products and services, and the integrity of its relationships with the complex web of customers, suppliers, communities and governments.

Brands that are household names – such as Singapore Airlines, Coca-Cola and Microsoft – help develop a strong relationship of value, trust and goodwill with the customer. A hard-won reputation can be easily lost by the unethical and illegal behaviour of its employees, such as in the case of Arthur Andersen.

And in the case of Toyota's recent safety problems, there was reputational damage to its brand and identity.

Hence, a strong corporate reputation is a key strategic asset in managing corporate culture and achieving distinctiveness in competition.

Asian managers are known to have strong cultural values such as an outstanding work ethic, excellent mathematical and analytical talent and capability, and a deep sense of humility.

But, they also exhibit a number of cultural, capability gaps.

These include a strong acceptance of hierarchy and authority, where everything the boss says goes; an aversion to risk-taking and making mistakes; a lack of engagement in constructive dialogue and debate in decision-making groups; and an inadequate global mindset and understanding of diversity.

To leverage on the basic outstanding strategic human capital and train them to develop the leadership characteristics and capabilities to compete effectively in the Asian marketplace, the corporate culture of Asian managers has to be changed.

For a start, there is a need for a much more empowered culture that reflects openness to change and more engaged employees.

The writer is dean of the Lee Kong Chian School of Business at Singapore Management University. He is also the school's chair in strategic management and one of the instructors of the new Executive MBA programme