

Culture

## Making Organizational Culture Great: Moving Beyond Popular Beliefs

Jennifer A. Chatman and Glenn Carroll



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*Organizational culture can be changed, and matters on the bottom line.*

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## Popular Beliefs About Culture

Culture baffles even the most experienced managers. Even those who take on the challenge of leveraging their organization’s culture for strategic success often feel mystified, uneasy, or skeptical.

There are plenty of good reasons for this discomfort. First, culture is not a tangible phenomenon that you can readily see. Second, managers typically receive little or no training in creating or managing culture, unlike their training on tasks like manipulating a spreadsheet or reporting financial outcomes. And few managers are social scientists.

Yet the stakes—using culture to accelerate your organization’s success or, conversely, letting cultural inertia doom your organization—are high. Most people—especially executives and other top leaders—believe that culture matters enormously for how an organization operates and performs, both in the short and long term.

Consider the findings of prominent management consulting firms. For example, a 2021 survey of 3,243 executives in forty-two countries by consulting firm PwC found that “81 percent of respondents who strongly believe their organization was able to adapt during the 12 months before our survey was conducted also say their culture has been a source of competitive advantage.” Similarly, Deloitte’s survey of 1,308 adults and executives in 2012 found that “94 percent of executives and 88 percent of employees believe a distinct workplace culture is important to business success.” A study by Korn Ferry found that “91 percent of executives agree that improving corporate culture would increase their organization’s value” and “80 percent of executives ranked culture among the five most important factors driving valuation.” Likewise, Heidrick & Struggles’ 2021 survey of 500 CEOs at companies with a minimum of \$2.5 billion in annual revenue found that “82 percent of CEOs . . . surveyed said they had focused on culture as a key priority over the past three years.”

Academic researchers report similar findings. John Graham and colleagues surveyed 1,348 CFOs and other finance executives around 2020. They found that “91 percent of executives consider corporate culture to be ‘important’ or ‘very important’ at their firm.” Similarly, Glenn Carroll and Lara Yang surveyed 1,926 managers and nonmanagers in the United States about cultural beliefs, perceptions, and experiences. They found that about half the respondents reacted positively to the statement, “In general, culture is more important to organizational performance than strategy or operating model.”

Despite the professed importance of culture, a Gallup poll found that only 21 percent of employees report feeling connected to their company’s culture.

# Our Approach

We wrote this book to help managers develop and manage culture so they can improve their organization's performance.

We do so by helping to sort out what's what with respect to culture, to consider several of the most salient popular beliefs about culture, and to offer our evaluations as professional social scientists, one of us (Chatman) a psychologist and the other (Carroll) a sociologist. We have been researching organizational culture for decades.

Our main goal in writing this book is to offer guidance on how to manage organizational culture effectively to those who are responsible for leading and directing organizations and the teams of people within them, including divisions, departments, and other units. We recognize at the outset the difficulty of trying to define culture. Academic definitions often extend broadly to include symbols, behaviors, norms, values, and language. For example, pioneering culture researcher Ed Schein defined organizational culture as “the pattern of basic assumptions which a given group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration, which have 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. It is the assumptions which lie behind values and which determine the behavior patterns and the visible artifacts such as architecture, office layout, dress codes, and so on.” Yet we view it as counter-productive for managers to worry about definitional debates. We suggest using a simpler, more straightforward definition of culture as “a system of shared values that define what is important, and norms that define appropriate attitudes and behaviors for organizational members.”

Culture can also be hard to identify “in the wild.” To see culture in action can be like trying to spot camouflaged animals in the jungle. Adding to the challenge, culturally relevant behaviors can be ambiguous, frequently spawning multiple interpretations.

And members of an organization's culture can claim to have a certain culture, but the reality of that culture can be quite different from what people say it is.

Mainly, we aim to offer guidance on how to manage organizational culture—ranging from crafting a culture that helps an organization execute on its strategy to ensuring that the culture adapts over time. We do so in a particular way—by sorting out what is true about culture, what’s not true, and what appears ambiguous or unresolved.<sup>9</sup> We believe that this approach will enable managers to prioritize what really matters, to understand what is consequential, and to know what to ignore and leave behind.

To illustrate our approach, consider the issue of measuring culture quantitatively. Many managers wonder whether measuring culture is a good idea, and if so, how and when they would do so. Others wonder whether their hiring processes should evaluate a person’s fit to the culture, and if so, how they can avoid bias and discrimination in the process. And, of course, managers wonder about culture’s impact on organizational performance and how they can ensure that culture helps rather than hinders people trying to accomplish organizational goals. These questions often challenge managers as well as social scientists. But they become even harder to answer, if not impossible, without a solid understanding of the behavioral realities of culture, which requires looking beyond the popular beliefs to find what’s true about culture.

## Strong Culture Organizations

We pay particular attention to a culture’s strength, a widely used social science term that is sometimes misunderstood.

Specifically, social scientists define a *strong culture organization* by two pronounced features. First, its members hold a high consensus around the appropriate norms, values, and beliefs of the organization. In other words, people agree about “the right thing to do at this organization.” Second, members display a high intensity of commitment to those norms, values, and beliefs, such that people will act on their own to ensure that others comply. Imagine being taught on the assembly line the “right” way to do things by your fellow worker or being scolded by your peer when violating a normative expectation of timely attendance at meetings. In both cases, the targeted employee is being instructed and sanctioned by a peer rather than a boss. This self-managed aspect of strong culture

organizations is part of their appeal, and systematic research (reviewed in chapter 7) shows that strong culture organizations indeed require fewer managers to operate effectively—operationally, they are simply more efficient.

Note that by this definition, a strong culture organization does not depend on any specific norms or practices (often called “cultural content”) to make it strong—all that’s required is high agreement and high intensity. Another way of saying this is that cultural strength is independent of cultural content. Accordingly, you can find examples of strong culture organizations with virtually any cultural content. Indeed, in this book we will review examples of strong culture organizations engaged in manufacturing, service delivery, research, terrorism, religion (including cults), policing, military activities, and more. We will see strong culture organizations that are large and small, old and newly founded, across a variety of industries and operating in many different countries.

For example, among commonly recognized strong culture organizations are the following well-known organizations:

- Southwest Airlines, with its breezy culture of fun and teamwork
- The Unification Church, aka the “Moonies,” a religious cult that draws people in and won’t let them go easily
- Nordstrom, the Seattle-based department store known for exceptional customer service
- Goldman Sachs, the long-successful investment banking firm that drives performance through information sharing
- Navy SEALs, Green Berets, Special Weapons and Tactics (SWAT) teams, military-like special forces, who perform highly specialized and immensely difficult tasks for national defense
- Amazon, the internet-based retailer and cloud service company who seeks to provide consumers with anything they might want to buy online
- Netflix, the video-streaming service whose culture has enabled it to transform its business model from sending DVDs in the mail to now producing its own entertainment content
- Google, the information technology company built on internet search who selects people based on sheer curiosity

- Uber, the ride-hailing platform that dominates most US urban markets

## Five Popular Beliefs

We organized this book around five common popular beliefs about culture. We focus on these specific beliefs because they come up most frequently in our consulting activities and classroom teaching. The beliefs capture many of the key challenges that managers face in using culture to improve organizational performance and to sustain performance at high levels.

The discomfort that many managers feel about culture often leads to misdirected efforts to learn more about culture or to engage consultants and other experts. While we applaud any attempt to gain more knowledge, we think that the biggest challenge that leaders face in managing culture is not intellectual but behavioral. Once you learn to ignore the munificent and often imprecise babble about culture—the underlying forces involved in building and maintaining a strong culture hold little mystery, at least to social scientists.

Cultures get built and sustained through a variety of well-studied and well-known social and psychological processes. For the most part, social scientists do not question or debate the ways that these processes operate; they reside in the scientific canon as accepted facts. Most important, these processes are not mysterious or technical: You can readily learn and remember them. For example, the relevant managerial levers include culturally selective hiring, intense early socialization, aligning compensation and other incentives, and communicating expectations throughout the organization. The payoff can be substantial because understanding and implementing these processes will enable you to enhance your organization's well-being and performance.

By contrast, what is difficult—exceptionally so in our estimation—is the ability to act and behave *consistently* in ways that advance your goals as a manager in using these processes. Acting consistently day in and day out, meeting after meeting, activity after activity, in the presence of many different people holding many different positions and playing many different roles, requires self-discipline, deliberateness, and personal presence. Jack Welch, the highly successful long-term CEO at GE, famously said that good leaders had to be

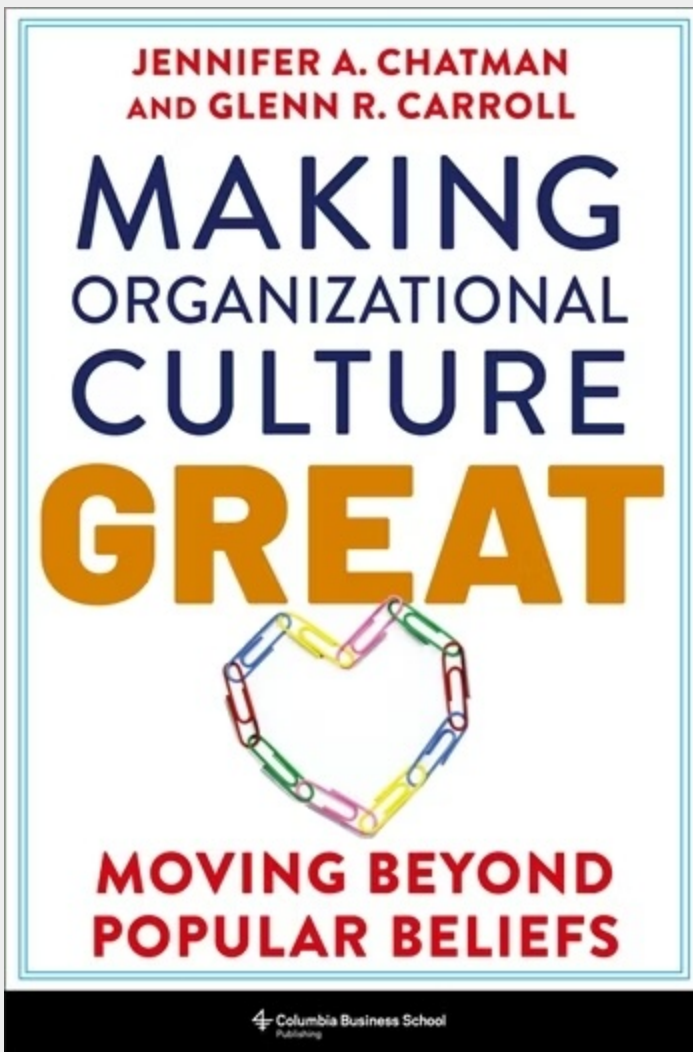
“relentlessly boring.” Welch was not advocating that a leader be boring when speaking or acting (he passionately believed the opposite) but he appreciated that if an intelligent and engaged leader repeats the same message consistently hundreds, perhaps thousands, of times, then it will likely get boring to the leader himself. Welch was warning against being harmfully inventive by modifying the message to make it interesting to the leader.

A second difficulty lies in ensuring a *comprehensive* approach to managing culture. That is, leading through culture involves using a variety of managerial levers that affect a variety of processes. While there may be some absolute no-no’s, there is no magic bullet, no single way to build and sustain an organization’s culture. You must attend to several or many levers and processes at once if you want to manage the culture effectively. It’s not just about incentives, training, or culturally selective hiring—it’s about orchestrating a wide range of the levers at your command. The challenge rests with juggling many balls to the same end, some of which may be easy for you and some which you will find hard.

Finally, offering a *coherent* narrative about these consistent and comprehensive practices ensures that members of your organization understand without ambiguity why you wish to cultivate a particular culture, with specific behavioral norms. What do various groups in the organization—the executive team, managers, individual contributors, and others—think you and they will gain by following this particular culture with these values and norms? The narrative contains both formal scripted chapters as well as informal spontaneous ones. Cultural coherence provides the logic for coordination across organizations, something essential for getting big things done.

So, in our view, success in managing culture does not require you to become a rocket scientist—defining and figuring out difficult unsolved problems. Instead, the challenge involves performing on point. Perhaps an orthopedic surgeon represents a better metaphor—a knowledgeable professional who executes time and time again in a consistent, comprehensive, and coherent way. Managers need to behave consistently, comprehensively, and coherently in scientifically known ways to get the results that they hope for in managing organizational culture. Our goal in writing this book is to demystify culture, to offer clarity about the known and proven ways of leading and managing an effective culture.

The book will demonstrate that managing through culture typically differs from conventional management in numerous ways. For example, leading through culture involves culturally selective hiring for fit rather than just focusing on skills. New hires are socialized to the culture, and motivational messages aim to inspire instead of offering higher pay. Leaders are often treated like peers, information is shared widely, and peers are involved in supervision as much as bosses. Rules in strong culture organizations also tend to general and generative rather than specific and detailed. Strong culture organizations typically manage through social control—peer pressure or normative sanctioning—rather than heavy doses of formal control, consisting of rules, policies, and defined procedures.



EDITORIAL NOTE

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Jennifer A. Chatman [Follow](#)

Jennifer Chatman is a social psychologist and Bank of America Dean at the Haas School of Business, University of California, Berkeley. Her research focuses on building effective cultures, how group norms influence performance, and the perils of narcissistic leaders.



Glenn Carroll [Follow](#)

Glenn Carroll is a sociologist who currently holds the Adams Distinguished Professor of Management at Stanford University's Graduate School of Business. He is the coauthor of "Making Great Strategy: Arguing for Organizational Advantage," Columbia Business School Press. 2021.