Organization culture - Values and the way things are done here

Case duration (Min):	**> 60**
Organizational Behaviour (OB)	
Organization culture	

Worldwide

Case summary:

A Conversation with Ron Williams CEO, who arrived to find a corporation (Aetna) in need of change -- having lost $280 million in the past year. He diagnosed key areas of failure and opportunity in Aetna's vast enterprise. Williams shaped a path to recovery, focusing on a better understanding of Aetna's current customers, from small employers to the largest corporations, and concentrating on the best way of expanding into new markets. To do this, Aetna needed to build products and services suited for those groups, and Williams' strategy involved developing integrated information systems for both employers and consumers, to ensure cost-effective and high quality health care delivery. Williams repeatedly made the case for this new strategy directly with Aetna's staff. He pressed the issue of values: integrity, employee engagement, excellent service and high quality healthcare, and implemented employee surveys and biannual performance reviews. Employees were invited to answer whether they believed their supervisors held true to Aetna's values and whether they were proud to be working with the company.

Learning objectives:

Discuss what is meant by organisational culture.
Distinguish between values, espoused values, enacted values and assumptions.
Describe what is meant by a strong culture and evaluate how such a culture might impact upon organisational performance.
Evaluate the leader's role in shaping and reinforcing culture.
Discuss whether culture can be managed.

Case problem:

What is organizational culture and why is it an important consideration when seeking to enhance organizational performance?

Company
Accident & Health Insurance

Aetna, Inc

Founded in 1853, Aetna, Inc. is an American diversified health insurance company, providing a range of traditional and consumer-directed health care insurance products and related services, including medical, pharmaceutical, dental, behavioural health, group life, long-term care, and disability plans, and medical management capabilities. With revenues of $30.950 billion (2008) and a workforce totalling 35,258 (2008), Aetna is a member of the Fortune 100. Aetna advanced up the Fortune 500 list in 2009. The company's strong 2008 revenue gains were largely the result of Aetna's integration and segmentation strategies, which led to strong membership gains.

The Aetna Mission: Aetna is dedicated to helping people achieve health and financial security by providing easy access to safe, cost-effective, high-quality health care and protecting their finances against health-related risks. Building on our 156-year heritage, Aetna will be a leader cooperating with doctors and hospitals, employers, patients, public officials and others to build a stronger, more effective health care system.

Vision: To earn the distinction, financially and by reputation, of being the preferred benefits company in all aspects of our business. We strive to be the industry leader by including the best ideas and perspectives available. This in turn enables Aetna to develop the most relevant solutions for each of our markets.

Strategy: Aetna will be the industry leader in the diverse marketplace. We will deliver best-in-class service to our customers because we want them to be comfortable when doing business with us. To achieve this mission we will: Create innovative and tailored product and service solutions that will meet the unique needs of our customers. Develop a diverse supplier base, reflecting our multicultural environment, that supports innovative ways to deliver best-in-class services to them. Build a workforce that fully understands the diverse communities where we do business. Foster a culture of inclusion that grows a diverse talent pool and recognizes and rewards the contributions of every employee whilst allowing employees to do their best work.

First, if you are taking a taught management course then consult with your tutor and ensure that the case has not been scheduled into a teaching class or tutorial. If it has not:
1. Play/ read the media associated with the case. You may need to access the Internet and enter a URL to locate any video clips.
2. Attempt the Case study questions.
Consider attempting the case study as a group exercise; you could form a study group with fellow students.
3. Check the suggested answers - remember these are suggestions only and there are often many possible answers.
Discuss questions and answers with other students.
4. If you feel your answer(s) were weak then consider reading the relevant suggested readings again (also see the case study suggested references).

Title/ Media type	URL/ Media description
Leading Change: A Conversation with Ron Williams. **Film**	http://mitworld.mit.edu/video/614 Williams' case study begins in 2001, when he arrived to find a corporation (Aetna) in need of change -- having lost $280 million in the past year. He diagnosed key areas of failure and opportunity in Aetna's vast enterprise: orchestrating medical, dental and other health and insurance benefits in a network of 843 thousand health care professionals with 37 million members. Williams shaped a path to recovery, focusing on a better understanding of Aetna's current customers, from small employers to the largest corporations, and concentrated on the best way of expanding into new markets such as retailers, banks and law firms. To do this, Aetna needed to build products and services suited for those groups, and Williams' strategy involved developing integrated information systems for both employers and consumers, to ensure cost-effective and high quality health care delivery. Williams repeatedly made the case for this new strategy directly with Aetna's staff. He pressed the issue of values: integrity, employee engagement, excellent service and high quality healthcare, and implemented employee surveys and biannual performance reviews. Employees were invited to answer whether they believed their supervisors held true to Aetna's values and whether they were proud to be working with the company. Williams has noted a marked improvement in responses over just a few years. External benchmarks reflect positive growth as well: Aetna has reached the number one spot as Fortune Magazine's most admired health care company, after occupying the bottom position. Williams invested a great deal in technology he believes will "shape the future of health care." He describes a Care Engine, containing an individual member's personal health record and up-to–the-minute journal information and health guidelines that are "converted into computer algorithms." This system can detect and fill gaps in care for patients - conditions that go undetected, tests that should be administered, medicine that should not be prescribed. Williams has also given consumers the ability to find and compare the costs of tests and doctor visits. He believes we can check the trillions of dollars in health care spending through smart technology. For him, health care reform means we "get and keep everyone covered; maintain the employer-based system… reorient the system toward prevention, value, and quality of care; and use market incentives to improve coverage, drive down costs and make the system more consumer-oriented." Tutors and students may watch (1) the whole film clip of 56 min, (2) the core lecture from 4.30 to 40:00 i.e. 36min or selected parts - see below: 00:00 – 00:04:30|INTRODUCTIONS|Positions the lecture - a corporate turnaround: the company was failing in 2000/1, through change- new leadership and a strategy focusing on customers, employees, company values and culture, information technology and management, the company was turned around. From almost the bottom in the rankings to the top by 2008. 00:04:30|RON WILLIAMS TAKES THE STAGE | Explains how the company had lost its way/ outlines the structure of the presentation

00:06:15|AETNA TODAY (2008)|37 million members over eight countries, 35 thousand employees…

00:09:00|STRATEGIC PATH TO INDUSTRY LEADERSHIP| Williams describes three phases (one) 2001-4; (two) 2004-6 and (three) 2006-8; for each stage Williams evaluates the strategic, operational and financial performance: in phase one the company was losing money and went BACK TO BASICS, seeking to better understand its customers, their needs, THE COMPANY AND ITS VALUES; in phase two, the company witnessed average returns, refined segmentation and focussed on perfection of the basics and in phase three, the company was in the top tier of the industry-strategically they focussed on innovation, information and integration and SET OUT TO DIFFERENTIATE THEMSELVES WITH UNIQUE OPERATING CAPABILITIES - the strategic path to industry leadership is explored in more detail in the remainder of the lecture

00:11:30 - 00:12:00|Change|Williams discusses the start of the path to industry leadership; he had to make the case for change which involves communication with employees. Williams argues, " understanding how to manage change effectively is an extremely important tool and skill set that will serve you well"

00:12:00|Strategy|Created a strategy called the three I's: information, innovation and integration; an executive management information system (dashboard) was created and made available to all, presenting one version of the truth and improving the speed and quality of decision-making. Williams emphasises the need for communication of both problems and solutions

00:13:15|CULTURE|CREATED THE AETNA WAY: customer focus, better articulated and demonstrated VALUES (integrity, quality and value, excellence and accountability, employee engagement)

00:14:10 |as a leader| Williams, whenever he addressed a group of employees within the company, would first talk about the values and demonstrated their importance

00:15:00| EMPLOYEE ENGAGEMENT | Williams emphasised the importance of employee engagement, suggesting that an engaged workforce was satisfied and this led to increased motivation

00:16:15||Employee surveys were implemented: employee surveys participation shifted from <50% at the beginning of the decade to almost 100% towards the end (best in class) similar changes were observed in loyalty with more employees indicating they were proud to work for the company and more employees behaving in the Aetna way (a stronger culture)

00:19:45|Leadership|The Company focused on developing high performing leaders - improvements were made in performance management, succession planning, leader development and leadership assessment

00:26:00|Milestones|

00:32:30|Environment|The environment is discussed: Health expenditure is growing, as are costs…

00:34:40|Leadership strategy and the role of information technology| Aetna will "lead the industry in providing high quality, cost-effective and personalised health and related solutions that leverage information to meet the needs of our targeted customers". A fundamental part of the strategy requires investment in information systems; such systems have enabled capabilities that competitors cannot easily emulate because many of them operate multiple unintegrated systems. Williams moves on to discuss the care engine, patient data, a knowledge base, decision support technologies, finding and suggesting care options and the provision of information to carers

00:35:50|Lessons learned|

00:37:48| LEADING AND MANAGING |Important to know the difference between leading the managing

00:40:00|End lecture|| Question session|

00:43:47|CORE VALUES| WILLIAMS FURTHER EXPLAINS HOW THEY DERIVED CORE VALUES WHICH WERE ALREADY IN EXISTENCE BUT WERE IN NEED OF BETTER PROMOTION

00:48:50|Principles of leading, communication| Williams explains that people had no idea that the company was losing money i.e. the need for change; he recognised the need to inform employees about the situation on an ongoing basis. He set up regular meetings to

cascade performance and what needed to be done
00:54:50|LEADERSHIP VERSUS MANAGEMENT| A member of the audience posed the question - can someone who is not seen as a leader be an effective manager? Williams argues that they can but...

NOTES:

Case study questions...

	Action	Pre/During/After class
1	**LEVELS OF ORGANISATIONAL CULTURE:** In your groups, drawing upon information from the film, text books and your wider experiences; discuss what is meant by organisational culture. In your discussion, you should identify the common aspects of the many definitions of organisational culture and comment upon levels of culture. Consider the film you have just watched, which level of culture is mentioned most frequently?	During
2	**VALUES:** Distinguish between values, espoused values, enacted values and assumptions; list the Aetna, Inc core (espoused values) and discuss how they were created.	During
3	**SURVIVAL IN COMPETITIVE AND TURBULENT ENVIRONMENTS: FUNCTIONS OF ORGANIZATIONAL CULTURE.** Peters and Waterman (1982) p75 argued 'the stronger the culture and the more it was directed toward the marketplace, the less need was there for policy manuals, organization charts, or detailed procedures and rules.' What is meant by a strong culture and how might such a culture impact upon organisational performance (you should consider both positive and negative consequences)?	During
4	**ORGANISATIONAL PERFORMANCE:** Consider the role of culture in relation to organisational performance; explain what is meant by the "Fit" and the "adaptation" perspective and evaluate these concepts in relation to Aetna, Inc.	During
5	**THE ROLE OF THE LEADER IN SHAPING AND REINFORCING CULTURE:** Evaluate the leader's role (for example that of Ron Williams) in shaping and reinforcing culture.	During
6	**MANAGING CULTURE:** Discuss whether culture can be managed and suggested approaches used to manage culture if you believe that it can be managed. Evaluate why Aetna, Inc soared to develop a culture of empowerment and quality amongst other things.	During

Answers...

Question/ Answer

1 LEVELS OF ORGANISATIONAL CULTURE:

In your groups, drawing upon information from the film, text books and your wider experiences; discuss what is meant by organisational culture. In your discussion, you should identify the common aspects of the many definitions of organisational culture and comment upon levels of culture. Consider the film you have just watched, which level of culture is mentioned most frequently?

Culture - This concept includes shared values, unwritten rules and assumptions within the organization as well as the practices that all groups share. Corporate cultures are created when a group of employees interact over time and are relatively successful in what they undertake.
Corporate culture - Defined by Bower (1966) as 'the way we do things around here'. Trice and Beyer (1984) elaborated upon this, with their definition : 'the system of ... publicly and collectively accepted meanings operating for a given group at a given time'. Hofstede (1994) describes corporate culture as 'the psychological assets of an organization, which can be used to predict what will happen to its financial assets in five years time'. See also 'Culture'.
Corporate culture - The organization's norms and value systems.
Culture may be defined at the country or company level. Definitions of culture generally apply to groups of people whose thinking and behaving share something in common.
Many scholars refer to 3 levels of organisational culture: artefacts, values and basic assumptions. The level of organisational culture discussed most frequently in the film is values: Values are at the heart of corporate culture. They are made up of the key beliefs and concepts shared by an organization's employees. Successful companies are clear about these values and their managers publicly reinforce them. Often values are unwritten and operate at a subconscious level.

2 VALUES:

Distinguish between values, espoused values, enacted values and assumptions; list the Aetna, Inc core (espoused values) and discuss how they were created.

Values - Values are at the heart of corporate culture. They are made up of the key beliefs and concepts shared by an organization's employees. Successful companies are clear about these values and their managers publicly reinforce them. Often values are unwritten and operate at a subconscious level.
Espoused values – what members of an organisation say they value.
Enacted values - values reflected in the way individuals actually behave.
Assumptions - deeply held beliefs that guide behaviour and tell members of an organisation how to perceive and think about things.
Core values at Aetna, Inc include: integrity, quality and value, excellence and accountability, employee engagement-see the film clip (13.15), the Aetna way, customer focus etc, see also (42.40) for comments on how the values were created. The espoused values already existed but had not been overly promoted. People from around the organisation worked to identify these values, which were then suggested to the executive committee who debated them and selected the most appropriate for adoption as core values.

3 SURVIVAL IN COMPETITIVE AND TURBULENT ENVIRONMENTS: FUNCTIONS OF ORGANIZATIONAL CUL

Peters and Waterman (1982) p75 argued 'the stronger the culture and the more it was directed toward the marketplace, the less need was there for policy manuals, organization charts, or detailed procedures and rules. ' What is meant by a strong culture and how might such a culture impact upon organisational performance (you should consider both positive and negative consequences)?

Strong culture - an organisational culture with a consensus on the values that drive the company and with an intensity recognisable even to outsiders (a homogenous culture).
Strong cultures are thought to enhance performance by ensuring goal alignment between employee and employer, improving motivation and therefore discretionary effort and providing control of employees without the detrimental effects of bureaucracy. When employees share the same goal as the organisation, they will instinctively do what is in the best interests of the organisation. Consequently, there is less need for formal control which can increase cost and demotivate employees. However, in a strong culture, all employees tend to follow the same path-if this is leading in the wrong direction then the organisation will cease to be effective.

CULTURE

This concept includes shared values, unwritten rules and assumptions within the organization as well as the practices that all groups share. Corporate cultures are created when a group of employees interact over time and are relatively successful in what they undertake.

BELIEF SYSTEM (FORMAL)

the explicit set of organizational definitions that senior managers communicate formally and reinforce systematically to provide basic values, purpose, and direction for the organization.

ORGANISATIONAL IDEOLOGY

Based on the beliefs, values and attitudes of the individuals, determines the culture of the organisation and provides a set of principles which govern the overall conduct of the organisation.

CORPORATE CULTURE

The organization's norms and value systems

CORPORATE CULTURE

Defined by Bower (1966) as 'the way we do things around here'. Trice and Beyer (1984) elaborated this as: 'the system of ... publicly and collectively accepted meanings operating for a given group at a given time'. Hofstede (1994) describes corporate culture as 'the psychological assets of an organization, which can be used to predict what will happen to its financial assets in five years time'. See also 'Culture'.

ESPOUSED VALUES

what members of an organisation say they value

ENACTED VALUES

values reflected in the way individuals actually behave

ASSUMPTIONS

deeply held beliefs that guide behaviour and tell members of an organisation how to perceive and think about things

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4   ORGANISATIONAL PERFORMANCE:

Consider the role of culture in relation to organisational performance; explain what is meant by the "Fit" and the "adaptation" perspective and evaluate these concepts in relation to Aetna, Inc.

The Fit perspective argues that the culture is good only if it fits the industry or the organisation's strategy. Within the industry, the competitive environment, customer requirements and social expectations may determine the culture. Aetna, Inc operate in a competitive environment where they have been losing market share; consequently they devised a strategy that supported a greater customer focus through the behaviour of employees, the product range, segmentation and the use of information system technologies.
An organisational culture which encourages confidence and risk-taking amongst employees, has leadership that produces change, and focuses on the changing needs of customers is said to have an Adaptive culture. Such cultures are desirable in turbulent environments where the organisation must continually adapt. Aetna, Inc operates in a turbulent environment where innovation and entrepreneurial activity, creativity and risk-taking may lead to competitive advantage.

5   THE ROLE OF THE LEADER IN SHAPING AND REINFORCING CULTURE:

Evaluate the leader's role (for example that of Ron Williams) in shaping and reinforcing culture.

Leaders play a crucial role as employees watch what they focus upon and to what they give their attention. How leaders react to crisis communiqués aspects of the culture and the way leaders behave can reinforce the values that support the organisational culture. Employees often imitate leader behaviour. Employees will also be guided by the allocation of rewards and punishments which will be used to signal desirable behaviours. Williams frequently communicates organisational problems and provide a focus for attention. He never talks to a group of employees without talking about the values (14.10) and suggests that unless the values are important to him and he demonstrates their importance they will be unimportant. He considers it important to live by a core set of values (35.50) and holds regular management meetings (45.50) where he communicates the successes and failures of the past quarter.

6   MANAGING CULTURE:

Discuss whether culture can be managed and suggested approaches used to manage culture if you believe that it can be managed. Evaluate why Aetna, Inc soared to develop a culture of empowerment and quality amongst other things.

Scholars are in disagreement as to whether culture can indeed be managed. Whereas the assumptions may be harder to change, more surface level aspects of culture may be more easily changed. Attempts to change culture typically involve the rule of the leader described in the previous question and the development and communication of values. The selection of employees with congruent values, induction, socialisation and inculcation may all be used as tactics to develop organisational culture. Similarly, employees who think and behave in a manner radically different from the organisational culture may be removed.
In turbulent environments, constant change renders the formalised work procedures redundant and bureaucratic forms of control not only stifle creativity but delay important decision-making. A culture that empowers employees can unleash creativity, speed up decision-making and allow the organisation to benefit from continuous improvement.

STRONG CULTURE

an organisational culture with a consensus on the values that drive the company and with an intensity that is recognisable even to outsiders

ADAPTIVE CULTURE

an organisational culture that encourages confidence and risk-taking amongst employees, has leadership that produces change, and focuses on the changing needs of customers

Case study references

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