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CHARACTERISTICS OF THE START-UP CULTURE FROM THE PERSPECTIVE OF ORGANIZATIONAL CULTURE MODEL

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Abstract

The purpose of this paper is to present a selection of start-up culture qualities whereby start-up businesses gain a competitive advantage over more traditionally oriented companies. The article is based on literature studies revealing a clear distinction that exists between the culture of start-ups and the culture of huge corporations managed within a more traditional framework. Using a theoretical concept of organizational culture, the author attempts to single out the critical characteristics of this phenomenon and to describe its structure as the basis for further analysis aimed at depicting the cultural contrasts between traditionally oriented corporations and start-ups.

Introduction

The era of globalization initiated in the 1980s by virtue of "silent revolution" triggered by Masayoshi Ohira, Margaret Thatcher, Ronald Regan and Helmut Kohl have brought about a fierce competition both in the production sector and service industry (Boughton 2002). For the above reason, it is gaining a competitive advantage that enables a company to develop their operations in a sustainable fashion. It has been widely recognised that the corporate culture has a profound impact on whether a company is going to gain a competitive advantage or not, since it affects basic ingredients of company performance, such as leadership and innovation (Barbosa, 2015; Schein, 2004; Szumal, 2000; Wei et al., 2008).

At the same time, the numerous cases of thriving start-up businesses appear to be "disrupting the lucrative business models of well-established brick-and-mortar companies" (Radiou & Prabhu 2015) They do so, by applying such an approach to business that is not solely based on innovation, but also on seeking solutions for problems that do not yet exist. Consequently, large companies find it hard to follow the pace of market transformations quickly and cheaply enough to compete with start-ups, and therefore they look closely at the operations of start-up enterprises so as to get some inspiration. What seems to be an underlying factor contributing to spectacular achievements of star-up companies is the organisational culture of those firms. The present paper provides a selection of characteristic qualities of the organisational culture of start-ups. This presentation is organised as follows. The first section presents theoretical background of organisational culture based on the conceptual model of Edgar H. Schein (2004), a social psychologist and organisation consultant, which is followed by examples of problems experienced by companies working within a framework of traditional corporate

cultures. Problems of small and medium business enterprises seem to be different in their nature and scope (e.g. Strielkowski, 2012; or Janda et al., 2013). The examples are aimed at illustrating how certain structures of more traditional corporate culture fail to meet the demands of the market transformation and, by way of contrast, to present qualities displayed by start-up culture, which prove to be critical in obtaining a competitive advantage.

The concept of corporate culture

The concept of culture has been the subject of academic debate in the last twenty-five years and there are various approaches to this phenomenon. Schein suggests that along with the variety of views on culture, the words commonly used by various authors to describe culture emphasize one of its crucial aspects, that is, the idea that there are certain things shared, or held, in common within a given cultural community (Schein 2004). As it is presented in Table 1, the author provides a list of the major categories associated with culture by various authors.

Table 1: Categories used to describe culture

Category	Definition
Observed behavioral regularities when people interact	the language they use, the customs and traditions that evolve, and the rituals they employ in a wide variety of situations
Group norms	the **implicit** standards and values that evolve in working groups
Espoused values	the articulated, publicly announced principles and values that the group claims to be trying to achieve, such as "product quality" or "price leadership"
Formal philosophy	the broad policies and ideological principles that guide a group's actions toward stockholders, employees, customers, and other stakeholders
Rules of the game	the implicit, unwritten rules for getting along in the organization; "the ropes" that a newcomer must learn in order to become an accepted member; "the way we do things around here"
Climate	the feeling that is conveyed in a group by the physical layout and the way in which members of the organization interact with each other, with customers, or other outsiders
Embedded skills	the special competencies displayed by group members in accomplishing certain tasks, the ability to make certain things that gets passed on from generation to generation without necessarily being articulated in writing
Habits of thinking, mental models, and linguistic paradigms	the shared cognitive frames that guide the perceptions, thought, and language used by the members of a group and taught to new members in the early socialization process
Shared meanings	the emergent understandings created by group members as they interact with each other
"Root metaphors" or integrating symbols	the ways in which groups evolve to characterize themselves, which may or may not be appreciated consciously but become embodied in buildings, office layout, and other material artifacts of the group. This level of the culture reflects the emotional and aesthetic response of members as contrasted with the cognitive or evaluative response
Formal rituals and celebrations	the ways in which a group celebrates key events that reflect important values or important "passages" by members, such as promotion, completion of important projects, and milestones

Source: Categories used to describe culture. Adapted from Schein (2004, p. 13).

All of the categories displayed in Figure 1, closely related to culture, encapsulate things and phenomena that are shared or hold in common by group members. However, none of them

could be used separately as a term synonymous to culture, which is due to the complexity of the concept of culture wherein all the other categories are vital.

Apart from the categories, being a part a parcel of the concept of culture, the idea of sharing things by group members includes several other crucial elements, such as structural stability, depth, breadth and pattering. These elements refer to as follows:

- *cultural stability* – resistance to change rapidly due to the shared sense of group identity and need for shared meaning and predictability;

- *depth* – the fact that the essence of culture is less tangible and less visible than manifestation of culture;

- *breadth* – the quality of culture being pervasive in that if affects all aspects of organization functioning, such as dealing with tasks both in various external environments and within internal operation;

- *pattering or integration* – the fact that culture constitutes a coherent whole owing to

the coordination of rituals, climate, values, and behaviours held by a group in order to retain consistent and predictable view of social reality and aims.

Schein asserts that in order for culture to be formed, group members have to share experience and learning of common assumptions. The continuous process of these assumptions being reinforced leads to the group becoming less and less conscious of them, which results in that they are taken for granted and became nonnegotiable as a part of group identity.

In view of the above considerations Schein defines culture 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: 17). The aforementioned definition reflects the above mentioned key components of culture with special emphasis on sharing basic assumptions through the process of culture formation.

According to Schein, the nature of corporate culture is hierarchical. In his conceptual model of structure and functioning of organizational culture Schein distinguishes three different levels of culture analysis on the basis of the degree to which the corporate culture manifestations are visible and tangible. The three basic levels of culture are presented in Figure 1.

Figure 1: Levels of culture
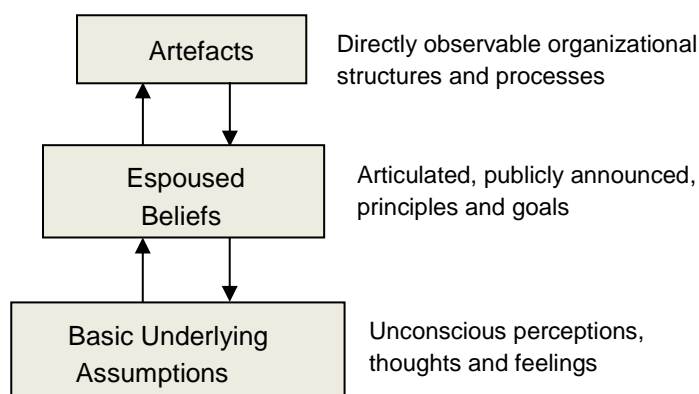
Source: Adapted from Schein (2004, p. 26).

As Figure 1 displays, the most visible and tangible culture manifestations are physical objects and patterns of behavior, including verbal behavior, being referred to as artefacts. They constitute the top layer of the corporate culture.

Artefacts

In order to better understand this layer of culture, Hatch proposes to use an analogy taken from geology. He explains that artifacts could be perceived as remnants of core culture, in the form of lava that covers the earth surface (Hatch, 2002). Geologists perform the examination of the lava id order to discover the facts about the core of Earth. By the same token, social and culture scientists analyse tangible artifacts so as to discover the nature of norms, values, beliefs, and assumptions, being deeply ingrained in culture. Artifacts are divided into three categories: physical, behavioral, and verbal, which correspond with nature of their manifestations. The examples of specific artifacts of each category are provided in Figure 2.

Figure 2: Artifacts of Organizational Culture

Category	Examples
physical	• art/design/logos • buildings/décor • dress/ appearance • material items • special arrangement
behavioral	• ceremonies/rituals • communication patterns • traditions/customs • rewards and punishments
verbal	• anecdotes/jokes • jargon/names/nicknames • explanations • stories/myths/history • heroes/villains • metaphors

Source: Adapted from Hatch (2002, p. 219).

As Zeithalm et al. (1990) maintain, the extensive use of artifacts can reinforce the more deeply ingrained elements of corporate culture. For example, sayings, objects, behaviors, and stories may improve the understanding by the staff of the importance of retaining and improving quality standards. (Zeithalm et al, 1990).

Exposed beliefs

Exposed beliefs constitute a more deeply ingrained level of organizational culture than artefacts and they pertain to articulated assumptions held by group members as to what is right and what is wrong and what course of action will bring desired effects. They are initially promulgated by founders and leaders and are particularly useful when problems concerning motivation and identity occur. In the course of their becoming more and more shared by the majority of group they are transformed into non-negotiable assumptions underpinned by beliefs, norms and rules of behaviour.

Basic underlying assumptions

Basic assumptions are based on ideas and beliefs that are taken for granted which is due to the consensus obtained from successfully repeating the implementation of certain beliefs and values. As a matter of facts, the basic assumptions are treated as absolute reality, which manifests itself in that solutions based on alternative premises are not conceivable by group members. For example, among engineers it would be inconceivable to purposefully design a product that is unsafe as the basic assumption is that products must be safe. Thus, the taken for granted, basic assumptions provide guidance for the group members as to how they should perceive reality, what they should think and feel about perceived things. Being non-confrontable and nondebatable, basic assumptions are extremely difficult to change as they assure the stability of cognitive an interpersonal world of a group. Therefore, in order to understand a group's culture it is necessary to get access to its basic assumptions and analyse the learning process which led to formation of those assumptions.

Examples of contrasting approaches to communication

While performing his duties as a social psychologist and organization consultant, Edgar Schein visited several companies whose managements wished to solve certain problems and bring improvements. While making attempts to perform his tasks and meet the expectations of his clients, he encountered serious obstacles which were deeply ingrained in the companies' cultures at the level of basic underlying assumptions. The provided below short descriptions of the four cases include: 1) the initially exposed communication problems; 2) the consultant's measures taken in order to bring improvements; 3) the response of each group to the actions taken by the consultant; and finally 4) the presentation of underlying assumptions being the source of emerging problems. The descriptions is followed is each case by a comment which gives o contrasting view of the same or similar area being held within a start-up culture.

An example of the management of ideas in a non-start-up culture

The management group of Digital Equipment Corporation (DEC) was facing problems with communication, interpersonal relationships and decision making. Following a series of meetings, the appointed organizational consultant observed that the meeting participants displayed among other things 1) frequent interrupting and confrontation; 2) excessive levels of emotional tension while discussing proposed courses of action, 3) frustration caused by difficulty in getting across one's point of view; and 4) strong will to win arguments all the time. In the course of a few months the consultant suggested that the managers involved in discussions should focus on better listening, less interrupting, and improving the processing of the agenda, which would lessen the frustration, and consequently, aid constructive communication. The group members declared that they found the pieces of advice helpful. However, despite having modified certain aspects of their procedure, such as scheduling longer meetings, there was no improvement observed in terms of interpersonal communication. Irrespective of the consultant's interventions, the basic style of communicating ideas remained the same. Having performed the cultural analysis of the group in DEC, the consultant found that the managers and most of the organization members shared the assumption that one cannot determine the validity of an idea unless it is subjected to intensive debate in the course of which it has to survive various attacks. Thus, each idea was to be challenged without giving a full attention to its potential value. The lack of good

manners was justified by the assumption that the competitive approach to discussing ideas proves most efficient.

Meritocracy of ideas in a start-up culture

Free circulation of ideas is one of the main characteristics of in start-up culture because ideas are regarded to be core ingredients of the company competitive advantage. Thus, regardless of whether a good idea comes from a top manager or a receptionist, it has to be heard and given a full attention by decision makers. In order for such approach to be feasible the members of start-up culture openly communicate to all its members, including the newcomers, that every staff member is invited to share their ideas and contribute to building the company, irrespective of their status in the firm. Regrettably, the management of internal communication is easier in relatively small firms employing up to 15 workers than in bigger companies employing more than 100 workers. It the case of the latter ones it seems necessary to use formal means of communication such as all-staff meetings, status reports, the email, mailing list, the intranet. However, apart from employing formal means of communication it is vital to reinforce the communication structure by encouraging informal communication which often proves to be the most powerful in terms of its impact on the company performance. Since communication is determined by the corporate culture of a company, it is the culture that needs to mold the tradition of widely using informal communication. Informal conversations being held in hallways and canteens and informal gatherings are very effective ways of communicating ideas and opinions since they promote the fluid of exchange information owing to the absence of any formal barriers.

An example of management of internal communication in a non-startup culture

Ciba-Geigy Company – a large multinational chemical and pharmaceutical company located in Basel, Switzerland, asked the organization consultant to help them create a climate for innovation. The organization was composed of numerous business units, geographical units and functional groups. Having performed the analysis of the company units, the consultant discovered that some interesting innovative ideas were already being incorporated in many of the analyzed units. He wrote several memos with descriptions of the observed innovations and of his own ideas for innovation, and gave the memos to his contact person in the company so they were distributed to the various geographic and business unit managers. After a few months, the consultant found out that even though the managers who received the memos said the ideas were helpful, they hardly ever passed on any of them so as they were implemented in their units. After having suggested holding meetings of managers from different units with a view of simulating lateral communication, the consultant received no positive feedback from those managers although they were allegedly interested in making communication improvements. As a result, the actions performed by the consultant poved inefficient as he by no means could improve the flow of information within the organization. The consultant eventually discovered that the problems of communication of ideas at Ciba-Geigy were due to a strong shared assumption being held among the management that each manager's autonomy shall be protected so the modus operandi of each of them is not infringed on by any ideas coming from other units. Therefore, no unsolicited information from outside was welcome because managers were proud of their expertise in the field of their job.

Management of internal communication in a startup culture

Finger and Samwer (1998) point out that a free flow of information is vital for a dynamic development of a company, a number of start-ups have adopted the arrangement of walk-in meetings. This is an idea of holding meetings in the open area with no doors, which encourages passers to join in and participate in a spontaneous fashion. Even though the meetings are scheduled for specific divisions and pertain to certain focus of interest, anybody may take the opportunity to listen and learn about the work of their colleagues and may provide some interesting input from a different perspective. This flexible arrangement of the information dissemination is based on the common agreement that everyone shall feel free to walk in and out at any time which they find convenient. Another interesting quality of walk-in meetings is that the physical arrangement of the open area where they are held does not resemble a conference hall, at it is rather more of a lounge with sofas wherein each of the participants may be sitting, standing or walking if this facilitates their contribution to the meeting. Another crucial quality of a start-up company is the understanding shared by every team member that the priorities concerning the company targets have to outweigh any personal ambitions of the team members. It is an egoless culture that constitutes the underpinning for this understanding. The key ingredient of egoless culture is the cultivation of the idea that it is the contribution of each and every team member that makes it possible for the team to meet the objectives. So, however valuable the talent and resourcefulness of an individual employee may be, it is never feasible today to accomplish any goals without tight cooperation within a group. An example of the practical manifestation of egoless culture is the characteristic approach to the issue of the ownership of ideas. In an egoless culture any ideas are supposed to float freely and undergo a variety of modifications, while the ownership of the original idea shall not be claimed. The rationale behind this approach is that assuming an ownership of an idea creates a risk that the idea owner will feel personally attacked in the event of this idea being criticised which may impair the free float of the idea. Therefore, one should understand that it is the goal that shall be born in mind rather that the question of who contributed how much. Of course, adhering to this approach is not an easy task, especially by an entrepreneur, because in a number of cases it is the entrepreneur who devotes a lot of time to create material ideas. However, it is important to realize that owing to the contribution of other team members the original idea is given and added value in the form of vital improvements, which makes it very useful for the whole enterprise. Besides, even in the cases of the most brilliant ideas, concepts and schemes a team may face serious problems while incorporating them, and in the event of such scenarios sharing the feeling of the ownership of those ideas prevents the team from trying to put blame on a single team member and it also alleviates a potential feeling of guilt or failure, as is the case with team sports. I all likelihood instead of looking for the guilty one, the team will focus on finding methods to find necessary solutions.

An example of staff's approach to change in a non-startup company

As Amoco, a large oil company was merged with British Petroleum (BP) their all engineering functions were centralized in a single service unit, and consequently the engineers, who were previously engaged in performing technical tasks, were now required to sell their services to clients. The engineers opposed to the new challenges which resulted in serious difficulties in reorganizing the engineering section so as to meet the new requirements of the company structural arrangement. As the consultant found out, the reason for the resistance of the engineers to engage in selling their services was that they had strong assumptions that it was

the customers who were supposed to come and ask for their services. Besides, the engineers were not provided a good role model for how to sell their skills.

Leader's role to mediate staff's approach to change in startups

One of the main functions of a leader in startups is to build a vision for the company so as to increase the motivation of staff and quality of their performance. A clear articulation of such vision allows all the employees to understand what the company is trying to accomplish, which results in sharing common goals by the staff. As it may not always be an easy task to convince the other managers and staff members to adhere to new objectives and ideas, it is recommended for a leader to continuously communicate the benefits of forthcoming changes so that everybody is better prepared to face potential difficulties and new challenges. According to Finger and Samwer (1998), start-ups need to be capable of introducing fast changes and adjustments so as to be able to respond to new market opportunities.

An example of approach to business ethics in a non-startup company

In another case, Alpha Power, and electric and gas utility, was charged with failing to report the presence of asbestos in one of their local units until an accident took place. The problem derived from the fact that electrical workers held the assumption that reporting spills or any other environmental problems would be improper as it could embarrass the group. The consultant's task in the case was to introduce a new framework of communication in order to improve the safety standards. The ideas of "personal responsibility, teamwork and openness of communication" were to be adopted by all employees (Schein, 2004, 5). Regrettably, the measures taken by the consultant did not bring a desired effect because the staff members failed to report any problems in cases where peer group relations were involved. According to the consultant, the employees at Alpha Power overrode new safety requirements, imposed by the court, because of holding their strong internal norms of self-protection. Reporting spills and environmental problems was equal to breaching their basic assumptions that revealing information of problems experienced by group was unacceptable.

Business ethics and social responsibility based on values in start-up cultures

Jeff Sonnenfeld the head of CEOP Institute of Yale School Management emphasizes the importance of creating a culture of openness which is manifested by internal constructive criticism (Wadhwa, 2010). By revealing all problems faced by a company, even the most embarrassing ones, the group members are given the chance to become aware of their nature and to counteract their negative effects.

Conclusions

The presented above examples of communication problems encountered by the employees of Digital Equipment Corporation (DEC), Ciba-Geigy Company, Amoco, and Alpha Power, indicate that the basic underlying assumptions constituting the core of each of the companies culture did not fit the demands of the rapidly changing market. The main problems were related to the ineffective communication in the context of discussing new ideas, lack of openness of managers to new ideas of innovation, the negative approach to changes, and restraining from communicating problems. Despite having admitted the usefulness of the consultant's recommendations for improvements, the underlying basic assumptions held by the employees prevented them from complying with the consultant's requests, which resulted

in the continuous problems with internal communication. By way of contract, the presented above qualities of start-up culture indicate their flexible approach to free exchange of ideas and unrestricted flow of information, including informal arrangements, with special emphasis on openness to innovation and change. The egoless approach to ideas based on tight uncompetitive cooperation enables the teams of start-ups to create the climate of perpetual change and innovation aimed at taking advantage of new market opportunities.

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