UNIVERSITY OF
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— INSTITUTE FOR —
SUSTAINABILITY LEADERSHIP

Unleashing culture for sustainable business

About the University of Cambridge Institute for Sustainability Leadership

CISL is an impact-led institute within the University of Cambridge that activates leadership globally to transform economies for people, nature and climate. Through its global network and hubs in Cambridge, Cape Town and Brussels, CISL works with leaders and innovators across business, finance and government to accelerate action for a sustainable future. Trusted since 1988 for its rigour and pioneering commitment to learning and collaboration, the Institute creates safe spaces to challenge and support those with the power to act.

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1. Executive summary

Organisational culture is an important driver of business behaviour and therefore of business outcomes and impacts on society. As the need increases for organisations to transform – in response to sustainability crises in climate, nature and society – organisational culture is increasingly likely to come into focus, since an enabling culture is a necessary ingredient for change.

Organisational culture is underpinned by (and in turn influences) worldviews, which are the deepest level of assumptions about how and why to act. This paper builds upon previous University of Cambridge Institute for Sustainability Leadership (CISL) work which makes the case for purpose-driven organisations, organisations which exist specifically to innovate for an optimal strategic contribution to the long-term wellbeing of all people and planet. Such organisations will hold some common worldviews regarding their role in an efficient and effective market economy, how this economy should be governed and the role of businesses within it. However, this paper also recognises that – in spite of a growing focus on purpose across many business communities – 'business-as-usual' (BAU) remains by far the dominant worldview of how to organise the market economy. Corporate social responsibility (CSR) and enlightened shareholder value (ESV) are two dominant BAU approaches, underpinned by worldviews that companies exist primarily to maximise profit (short- and long-term, respectively) as opposed to existing primarily to deliver wellbeing outcomes for society.

While the long-term nature of the ESV approach offers some scope for achieving vital aspects of sustainability, it remains restricted in driving a sustainable future, relative to the emerging logic of purpose-driven organisations, which exist specifically to innovate for an optimal strategic contribution to the long-term wellbeing of all people and planet. In doing so, purpose-driven organisations protect and restore the ultimate means (eg climate stability, ecosystem health, community health and resilience) on which long-term wellbeing for all rests and pursue financial profit as a vital resource that enables the delivery of that purpose, rather than maximising profit as the primary reason to exist. More detail on how organisations can respond to the unsustainability crises (eg pandemics, income inequality, biodiversity loss, climate change), and their role in perpetuating them can be found in *Unleashing the sustainable business* Part 1.[1]

In light of the critical relationship between worldviews, business purpose and culture, this paper is focused on the role of culture in enabling organisations to move from BAU approaches towards being fully purpose-driven.

In order to enable business leadership to better understand organisational culture and its important role in supporting the transformation required for a sustainable future, this paper summarises the current research into organisational culture – how it shapes behaviours, how it is shaped and experienced in organisations and how it relates to performance. It then draws on this analysis to explore the implications, principles and behaviours required to become a purpose-driven organisational culture, as described in *Unleashing the sustainable business* Part 1[2] and Part 2.[3] Furthermore, it suggests a number of requirements for transforming organisational culture in service of long-term wellbeing for all. Note that while this paper explains how we might understand culture, it does not set out in detail how to adapt organisational culture.

> There are five key concepts underpinning this research. They are:
> 1. **Organisational culture:** culture in an organisational setting in conversation with its external context.

2. **Purpose:** an organisation's reason to exist that is an optimal strategic contribution to the long-term wellbeing of all people and planet.[*]
3. **Worldviews:** assumptions or beliefs about the world, including what is to be valued and how to achieve that value.
4. **Cultural hardware:** tangible aspects of culture, including the organisation's physical premises, equipment, systems, processes and structures (see section 2.3).
5. **Cultural software:** intangible aspects of culture, including organisational norms, customs, behaviours and narratives (see section 2.3).

The key questions this research explores are:

1) What is organisational culture?

At the heart of an organisational culture are shared worldviews. Worldviews lead to embedded cultural software which in turn shapes, and is shaped by, an organisation's cultural hardware. Software and hardware provide valuable levers to strategically change culture, and these tend to be the focus of many change-management programmes. Since these more visible aspects of culture are underpinned by organisational worldviews, intervening concertedly in these shared base assumptions is likely to be necessary to secure enduring change.[4] For example, worldviews can be deliberately surfaced and renegotiated before over time becoming re-embedded in the organisation's subconscious. It is worth noting that while it is possible to intervene to change culture, it is a complex system of interactions between all levels of the organisation and as such cannot be determined by any one party alone, including senior leadership.

2) How is culture expressed and maintained in organisations?

Cultural hardware and software are constantly shifting, in conversation with each other, the worldviews that underpin them, and with the cultures of other organisational systems that the firm interacts with. Achieving new organisational worldviews, cultural hardware and software requires energy, skill – and in particular, clarity, both of the worldviews themselves and of the organisation's ultimate goals that enact them. BAU organisations and purpose-driven organisations have firm-level narratives – coherent stories told internally and externally that shape meaning – each nested within a corresponding wider worldview. Thus it is difficult for an organisation with an underlying BAU worldview to have a firm-level narrative that moves away from BAU towards a purpose-driven organisation narrative. Purpose-driven business leadership, which encompasses a pinnacle organisational goal that is very different from BAU, will therefore need concerted and persistent effort to both build and sustain a new culture. While some societal stakeholders will be supportive of such a shift, many will not (consciously or sub-consciously), as BAU remains the dominant paradigm and strategies to align the firm's stakeholder constellation more actively are likely to be needed. A key role of leadership is therefore to clarify and strengthen shared worldviews within the company, intervening to shape the hardware and software that express and reinforce them, and proactively govern and manage stakeholder relationships for cultural alignment.

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[*] The British Standards Institution, *Purpose-driven organisations – Worldviews, principles and behaviours for delivering sustainability – Guide*, PAS 808:2022 (London, UK: The British Standards Institution, 2022), https://www.bsigroup.com/en-GB/standards/pas-808/.

3)   What are the links between culture, performance and purpose?

The analysis of research into organisational culture has found that the degree of 'fit' between cultures and their goal, and the overall coherence of a culture, are useful criteria to assess organisational performance, regardless of the organisational goal. Particular elements of culture have been identified as related to common drivers of organisational effectiveness which include morale, job satisfaction, employee engagement and loyalty, commitment to the organisation, and efforts to attract and retain talented employees. Many of these drivers tend to be associated with a purpose-driven organisational worldview that taps into and channels human values towards emotive goals, eg a meaningful and clear strategic goal, autonomy and trust.

There are a large number of internal and external enablers for improving business performance on sustainability, including regulation, policy, strategy, governance and culture. Organisational culture can itself be so powerful that in some cases external pressures such as regulation are not enough to change behaviours, and indeed instances of 'gaming' the law to preference the internal culture (such as was seen with the high-profile 'Dieselgate' scandal) are regularly reported. When well-designed and well-implemented regulation is combined with a programme of aligning worldviews and associated cultural software and hardware with long-term wellbeing for all, sustainable outcomes are more likely to be achieved.

4)   What does this mean for purpose-driven organisations?

This section of the paper builds on the literature reviewed in this paper and in *Unleashing the sustainable business* to infer what principles, worldviews and behaviours might be required in order to transform to a purpose-driven organisational culture. A shift to purpose is likely to require a transformation in culture, since the emerging consensus is that it represents a paradigm shift in worldviews.

PAS 808 on purpose-driven organisations[5] is the first national standard to offer a consensus view on what these common worldviews might be. For this core intent to be realised in practice also requires aligned cultural hardware and software that will shape purpose-driven behaviours. Therefore to be effective, these worldviews must be embedded across the whole organisation, starting with the board and senior executives who have disproportionate influence over culture. Additionally, because the cultures of organisations within the stakeholder network of BAU firms have developed over time to optimise for financial profit, for most incumbent firms, reorienting around purpose will require a long and transformational journey with strong leadership. Without prior understanding of this reality, and skilled governance and leadership of the culture, such a transformation may be fundamentally limited.

This cultural embedding is likely to be the key influence over whether a company is authentically purpose-driven or is one that could be accused of 'purpose-washing'.

2. Introduction

Culture has long been recognised as an important enabler of – or barrier to – a firm's goals. As will be outlined below, culture starts from a set of worldviews – foundational assumptions about the world and what is valuable to protect and enhance. Purpose represents a shift in such worldviews (see *Unleashing the sustainable business*[6]). Therefore, while understanding organisational culture is a vital topic in and of itself, it is particularly important in understanding how to transform to a purpose-driven organisation and what the culture at that destination might need to be.

Culture is a foundational topic and much has been written about it across the disciplines over the decades. Culture, including organisational culture, has its roots predominantly in anthropology (the study of humanity's characteristics and their development), and remains core to the discipline.[7] These anthropological roots are recognised across the range of disciplines which have adopted and adapted cultural theory. Despite its long history, acute attention to culture as a topic of concern only began in the 1970s – a moment coined the 'cultural turn'. At this point culture was 'discovered' and emphasised in a way it had not been before,[8] including an expansion of the organisational culture literature.

Culture as a topic outside academia has also drawn more attention, with a range of literature for a mainstream audience. Berger and Luckmann's *The Social Construction of Reality*[9] and Douglas and Isherwood's *The World of Goods*,[10] which united an economist and an anthropologist, marked turning points in bringing a level of mainstream understanding of the role of symbolism (the intangible meaning of things) in structuring how we behave. Business literature on organisational culture has since accelerated, encompassed most obviously in the management meme "culture eats strategy for breakfast" attributed to prominent management thinker Peter Drucker.

It is vital – but also difficult – to pin down what makes an 'effective' culture. To usher in speedy and significant organisational transformations, a clear understanding of culture as a concept is needed. This review therefore starts from first principles, aiming to reveal the core foundations of culture. Moving beyond these foundations, it then delves into the nuances of *organisational* culture and, building on *Unleashing the sustainable business* Part 1[11] and Part 2,[12] explores the literature and evidence base for culture in both 'business-as-usual' (BAU) and purpose-driven organisations. This includes an analysis of how we can build and maintain a desired culture. This provides a robust platform that can help in understanding how to transform and govern cultures that are aligned with a purpose-driven organisation – and therefore behaviour that delivers a sustainable future. Understanding purpose-driven organisational culture is essential because, as *Unleashing the sustainable business* outlines, purpose is a paradigm shift away from BAU at the deepest level and "it is dangerous to oversimplify [organisational culture] because of the illusion that one is managing culture when one is, in fact, managing only a manifestation of culture and, therefore, not achieving one's change goals."[13]

Box 1 in section 4.2 sets out the three key organisational logics currently in play – corporate social responsibility (CSR), enlightened shareholder value (ESV), and purpose. These logics are outlined in *Unleashing the sustainable business,* detailing the shift in worldviews that happens when companies move between logics. Specifically, it proposes what will occur and what will be needed in terms of cultural hardware and software in order to bring about behaviour change during such a transition.

2.1 Definition of culture

There is no universally agreed definition of culture. Appendix 1 outlines different ways researchers have defined culture and explains why culture is interpreted the way it is in this paper. Based on this analysis, the short definition of culture used here is: "the set of shared, taken-for-granted implicit assumptions that a group holds and that determines how it perceives, thinks about and reacts to its various environments".[14]

This definition is made up of some key building blocks and relationships. Exposing these is important for understanding culture and the role that identity plays in influencing it, as well as concepts like 'branding' and how they interconnect with identity and culture. Below is a summary definition based on these existing interpretations of culture, expanded to break down the key aspects (see Figure 1):

Culture is:
- worldviews (assumptions/beliefs about the world, including what is to be valued and how to achieve that value)

that give rise to (and are reinforced by):
- norms and
- 'customs' as a particular type of norm which reinforces group identity and meaning

which:
- are shared by an identity group (of any size)
- have been developed over time to optimise the success of decision-making regarding problems commonly faced in a particular context

and
- are likely to be manifested in (and reinforced by) material reality (structures, processes, artefacts etc).
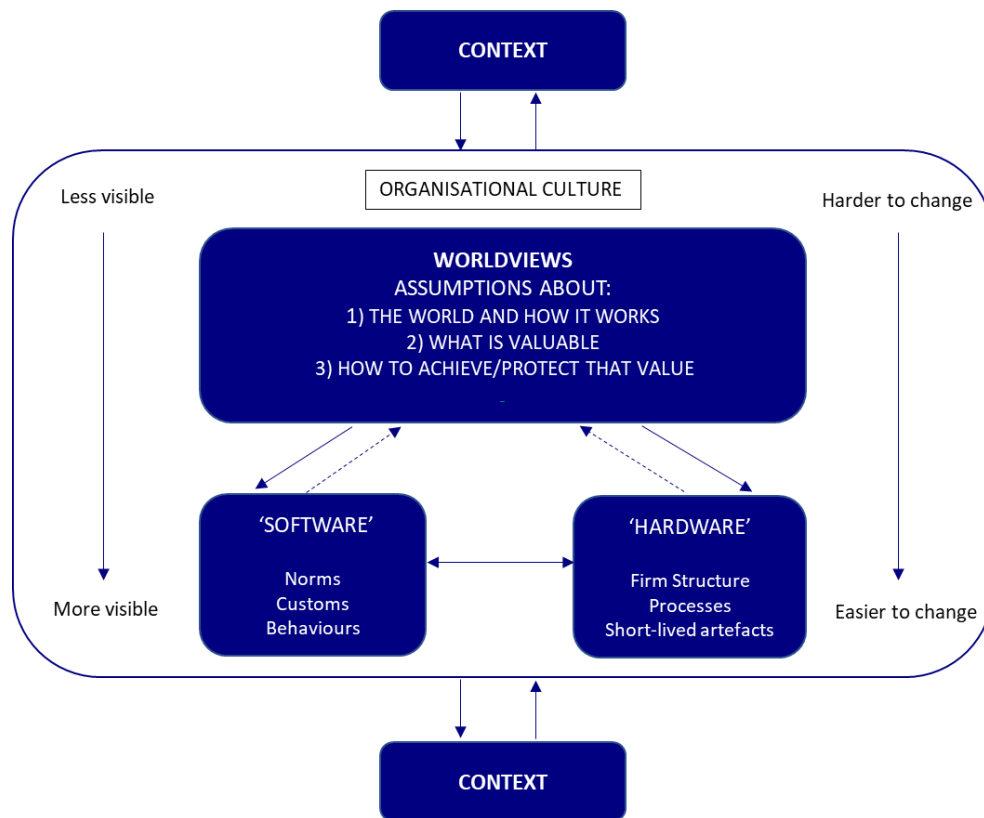
Figure 1: Schematic representation of the practical breakdown of culture definition incorporating aspects of Hall's 'iceberg', and popularised by Donella Meadows[15] – where base assumptions are hidden and these show up in structures, behaviours and momentary events
Source: Adapted from Hall[16]

2.2 Worldviews

Values and beliefs are **assumptions** that can be interpreted within the category of 'worldviews'. Worldviews are "socially constructed realities which humans use to frame perception and experience"[17] and underpin what is often called a 'mindset'. Worldviews represent often unconscious beliefs and encapsulate assumptions about what is valuable (values), what threatens/enhances that value and how best to achieve/sustain that value. "A worldview is a way of describing the universe and life within it, both in terms of what is and what ought to be".[18]

Johnson et al.[19] use a wide-ranging review of psychology to summarise worldviews as containing:
- ontology (existential beliefs)
- epistemology (what can be known and how one should reason)
- semiotics (language and symbols used to describe the world)
- axiology (proximate goals, values and morals)
- teleology (ultimate goals and the afterlife consequences of action)
- praxeology (proscriptions and prescriptions for behaviour).

If we assume that ultimately humans are trying not just to survive but to achieve a 'good life', ie wellbeing, for themselves and others (see *Unleashing the sustainable business* Part 1), then at its base, culture can be understood as lived assumptions/beliefs about the best *ways* to achieve wellbeing. Therefore, and as discussed in *Unleashing the sustainable business* Part 1, in ISO 37000 on Governance of Organizations and

in the British Standard on Purpose-Driven Organisations, organisational values and organisational views about wellbeing and how to achieve it are intricately connected to, and form the basis for, any organisational behaviour – whether we realise it or not.

While worldviews about what is valuable and how to achieve it may be specific to individuals, research in a range of disciplines including anthropology and law, as well as lived experience, has identified some common foundational views across populations and generations. Those that are judged normatively to be positive include honesty, justice, equality and integrity. Beliefs that are becoming more widely held in response to evolving social and environmental crises include the need to achieve a stable climate, healthy ecosystems and intergenerational justice. There are worldviews that are held by certain parts of society but that are actively dissuaded or opposed in international norms, including white supremacy and patriarchy.

International worldviews, to the extent these are discernible, are revealed in "customary international law, generally accepted principles of international law, or intergovernmental agreements that are universally or nearly universally recognised"[20] and more subtly in particular strategies to achieve these worldviews, eg concepts such as democracy and gross domestic product (GDP) growth, and artefacts such as a corporation. Aspects of these international worldviews are integrated into particular identity contexts (eg a specific company's 'values') – and vice versa.

Not only do worldviews underpin culture at the deepest level, they also operate mostly at the 'doxic' level of the mind[†] – a place where they are not consciously understood but are taken for granted, 'self-evident' assumptions.

2.3 Cultural software and hardware interplay

Because culture starts with intangible worldviews it is often considered non-physical. However, culture is manifested in norms and customs (cultural software) and in a material reality[21] of tangible structures such as processes, systems, written statements, etc (cultural hardware). The dynamic and reflexive nature of culture means that this material reality reinforces and solidifies the intangible aspects of culture including, ultimately, foundational worldviews. Hence cultural hardware can also end up constraining cultural software's development – which may be why organisational culture change programmes often include a focus on deliberate changes to physical aspects of organisational structure.[22] As Riley[23] notes:

"Structures are both the medium and the outcome of interaction. They are the medium, because structures provide the rules and resources individuals must draw upon to interact meaningfully. They are its outcome, because rules and resources exist only through being applied and acknowledged in interaction – they have no reality independent of the social practices they constitute."

2.4 Culture and meaning

Culture gives people a sense of meaning. The 'meaning-making' mechanism underpins how culture works and is core to culture as a topic in general. In fact, cultures can be viewed as nothing more than a network of shared subjective meaning.[24] Because culture shapes how people make meaning of what they

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[†] Many academics have described this level of thinking. Bourdieu a social theorist, famously calls this the 'doxa' to describe what is taken for granted and 'self-evident' in any particular cultural setting. See Pierre Bourdieu, *Outline of a Theory of Practice*, (Cambridge, UK: Cambridge University Press, 1977).

experience, culture not only shapes people's conscious thoughts but also how people interpret the world.[25,26,27] 'Meaning' is also very important when it comes to understanding how to create a culture of purpose, where a sense of meaningfulness/purposefulness (ie life in service of others) is a core concept. Meaning is critical to leadership and its role in bringing about a desirable culture, because leadership is grounded in the management of meaning, and the frames which curate meaning for people.[28,29]

2.5 Culture and identity

Culture exists as a *shared* set of worldviews and meanings between two or more people that form a group. These groups can be considered identity groups – groups where people's sense of self is interconnected and shared. Therefore, identity theories are useful for understanding culture. Self-concept or 'identity' is vital to understanding, and influencing, how people act in the world. This is because identity is a key 'forum' where agency (an individual's capacity to act freely) and structure (the patterned arrangements that limit individual action) are mediated.[30,31]

Individuals have a deep desire to build and maintain a coherent sense of overall identity[32] so that they are able to act with some sense of certainty and self-belief. At the same time, individuals can hold multiple, often contradictory identities. Each of these requires them to modify their behaviour to conform to archetypes or role behaviours associated with a particular social group.[33] Hence, individuals can hold a work identity (or more than one) and will conform to a set of behaviours matching that identity in the circumstances where it is evoked. Outside work, an alternative identity may be more salient and individuals will adjust their behaviours to reflect this.

As a result, different identities compete to guide behaviour for an individual in any given context. According to McCall and Simmons,[34] the frequency with which an individual uses one identity, relative to another, to make decisions depends on:
- the salience of that identity to the individual and others
- how much someone has committed or invested in it
- the attractiveness and social power associated with it.

Identity is expressed in behaviour that conforms to what is most symbolic of membership of a particular group,[35] or in other words, behaviour that is deemed by the group to be symbolic of the worldviews of the group. More powerful people in a group will be more important markers of the behaviours that are prototypical of the group. Social identity theory research suggests that the more someone desires to be part of a social group, the more they are likely to try and adjust their behaviour to match the culturally symbolic behaviour of a prototypical member (ie the group culture).[36]

The continual symbolic dance between individuals, as they seek to adjust their behaviour to reflect and discover their sense of self, is encompassed in the concept of symbolic interactionism. Symbolic interactionism is a useful theory for understanding how identities, and hence cultures, shift and endure.[37]

Hence, cultural worldviews and their expression in hardware and software are the glue that holds an identity group together – making the group real and distinguishable and making it possible to identify oneself as a member of that group (including an organisation or parts thereof) through prototypical behaviours,[38] ie shared values, worldviews, mental scripts, routines and practices, replication of behaviours/decision-making.

Consequently, an individual's sense of self, and associated behaviour, is intricately connected with the culture of the social identity groups that the individual assesses as most relevant and attractive. Culture dictates the symbolic behaviour relevant to an identity group, which in turn affects how someone who holds that identity acts in relevant circumstances. Similarly, the identities that are seen as desirable and socially rewarded will affect which cultural behaviours are more likely to be adopted and supported.

2.6 Cultural practices: symbols, heroes, rituals

Based on his analysis of 116,000 people representing 72 different national cultures, Hofstede[39] provides further clarity on the implications of shared worldviews for behaviour by breaking down the manifestation of values into intangible 'software' cultural categories of rituals, heroes and symbols.

Hofstede focuses on 'values' as the central driver of culture – but, as outlined above, it is helpful to think of values as one aspect of worldviews which form the central cultural drive. He uses the anthropological concept of 'practices' to describe the parts of the culture that are visible. Practices are the way in which the social order (including culture) becomes embodied through repeated human action. As well as being a way to help interpret the worldviews that might underpin any given culture, practices also represent domains which can be adjusted/redesigned, in order to 'backward influence' the worldviews that underpin culture. These domains represent the norms and customs of the group – recognisable 'repeatable representations'. Hofstede focused on the intangible 'software' elements of culture of rituals, heroes and symbols. This is summarised in 'Hofstede's Onion' (Figure 2).
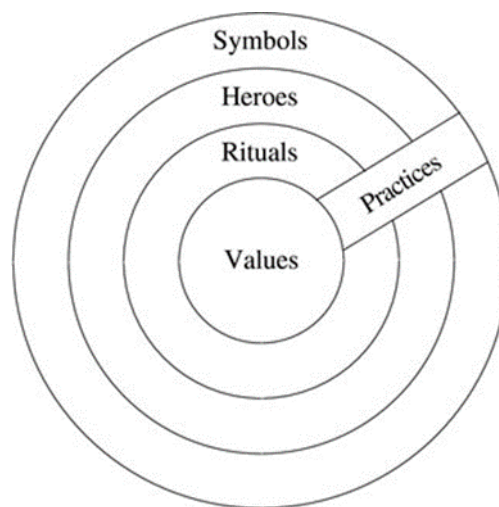
Figure 2: Hofstede's Onion diagram of culture
Source: Hofstede[40]

The layers of the onion can be understood as follows:
- **Symbols:** the most visible aspects of culture, although some are more subtle and encrypted than others. This includes pictures, words, objects and gestures that have specific meaning for those in the culture. They can be observed and interpreted by those outside of the culture.
- **Heroes:** role models of behaviour of those in the culture (ie powerful prototypical examples of the identity). They can be real or imagined, dead or alive. In an organisational context, these would be those that 'get ahead'.
- **Rituals:** those collective activities that are seen as symbolically critical within a culture but are usually functionally unnecessary in reaching objectives.

Having overviewed culture in general, this paper now focuses on *organisational* culture. It will outline some of what we know about what makes a 'desirable' organisational culture – regardless of whether financial or purpose outcomes are the optimising goal. This gives us the basis to consider what kind of organisational culture is aligned with a purpose-driven, sustainable organisation.

3. What is organisational culture?

3.1 Definition

Organisational culture is the combination of the worldviews and resulting cultural software and hardware within any given organisational group – hence all aspects of the general definition of culture presented previously are relevant, applied to an organisation. An organisation is a specific group – a deliberate value-generation, goal-oriented unit with formalised approaches to influencing cultural hardware and software. In simplistic terms organisational culture can be defined as:

"The environment in which people work and the influence it has on how they think, act, and experience work".[41]

However, aligning more specifically to the symbolic mechanisms of culture outlined previously, organisational culture is perhaps most usefully defined as:

"A system of assumptions, values, norms, and attitudes, manifested through symbols which the members of an organization have developed and adopted through mutual experience and which help them determine the meaning of the world around them and the way they behave in it".[42]

As with culture in general, the external context for organisational decision-making is central to influencing the cultural software and hardware that develops. Hence an organisational culture that goes against the grain of its surrounding cultures, especially those of powerful stakeholders, requires huge energy and motivation to maintain – and hence high clarity of worldviews and ultimate goals.

3.2 Organisational culture theory

Theories of organisational culture have been developed in a range of disciplines, including sociology,[43] and psychology.[44] Early research focused on organisational 'cross-cultural studies' which tended to interpret 'culture' as operating at a national level, and focused on the implication of companies managing staff in international settings.[45,46] Organisational culture is now the dominant focus of research, with the national culture of many identity groups historically a key theme. From the late 1980s onwards there has been a wide range of research into organisational culture,[47,48] with 4,800 research articles produced between 1980 and 2011.[49]

Organisational culture research has been understood by academics in two ways – the first is as something the organisation *is* (a non-determined 'state') rather than something it *has*.[50] As such, managers were best to see themselves as an intricate part of the culture and could not control it.[51]

The second most relevant (and most widely influential) view is that organisational culture is something the organisation *has*: a system of worldviews shared between individuals, which can be studied as a distinct variable (thing) that can be influenced.[52,53,54] Through this lens, organisational culture can be viewed as a social phenomenon based on human action, reaction and interaction,[55,56] a dynamic learning process that may help (or hinder) a firm to optimise its desired outcomes (outcomes that are structured by worldviews)

in *context*. Aligned with this view, entrenched behaviours can be unlearned, through a process of bringing unconscious assumptions to a level of 'discursive elaboration' where they can be talked about openly.[57] However, such a process requires deliberate effort and meta-reflection. The process of surfacing worldviews allows them to be renegotiated and changed, before moving back to the level of sub-conscious influence.[58] Because these most important aspects of culture are largely invisible, they can usually only be inferred by observing the way people act and through cultural symbols. This understanding of worldviews mirrors the highly influential view of culture as something that can be unfrozen, changed and then frozen again.[59]

Research also points to another way in which change can happen – where cultural hardware and software are no longer optimal for delivering the desired outcomes, and new ways of behaving are legitimised (or forced) to replace the old in a dynamic process over time. As such, what were once 'unquestionable' ways of acting can become replaced by a new set of unquestionable behaviours that live at the doxic level (ie within internalised beliefs) and which are passed on to new members.[60,61]

Organisational sub-cultures

As with culture in general, organisational culture can be studied at different levels of abstraction – from sub-cultures of groups as small as two individuals (or even at an individual level, where individual identity and culture overlap).

An organisational culture may be identifiable as a singular coherent identity (ie company x or function y), even if the culture that makes up that identity is incoherent, unhealthy and results in tensions and stress.[62] The more coherent (consistently observable) a culture is, the more valid it is to summarise its cultural features as having explanatory power over an organisation, or part of it. However, an organisation may be so incoherent as to be without one observable culture and instead may be better described as being made up of a range of sub-cultures.

Sub-cultures, for many, suggest an unwanted deviation from a central organisational identity, as they may present employees with contradictions: "sub-cultures arise as attempts to solve certain problems … which are created by contradictions…"[63] [in the social structure – here the wider organisational system]. These contradictions are also created due to processes of change[64] where a new culture is more deliberately introduced in parts of an organisation but has not manifested across it.

Gillian Tett's anthropological book on organisational silos suggests that there is a tendency towards sub-cultures and that these are toxic to wise decision-making, for example regarding financial decision-making that contributed heavily to the financial crisis of 2008.[65]

3.3 Organisational cultural 'sameness' (homogeneity)

A homogenous culture could be described as: "When a number of key or pivotal values concerning organization-related behaviours and state-of-affairs are shared".[66] A common view, as articulated by Tett[67] for example (see above), is that organisations should ideally have a more homogenous culture, and helpfully, all things being equal, research suggests that a culture will naturally tend towards homogeneity. For example, Van den Steen suggests that "Organizations have an innate tendency to develop homogeneous beliefs (and values)".[68] He proposed that this happens through two mechanisms:

> 1) People prefer to work with others who share the same beliefs as they will have a tendency to behave/make decisions which are in the eyes of the person 'the right thing to

do'. This will impact who will be recruited and who will get ahead, so that over time there is a tendency to similarity.

2) People in an organisation are subject to similar experiences of the organisation and learn from it; because employees learn from the same source their beliefs are likely to converge.

Van den Steen further indicates that "homogeneity will be stronger in firms that are older, smaller, and more successful, in firms where employees make more important decisions, and in firms where the manager has stronger beliefs. Moreover, within a firm, homogeneity will be stronger among more important employees."[69]

Identity theory, as covered above in section 2.5, supports and helps explain such propositions. A singular set of worldviews might be important for an organisation to achieve a shared goal, but it has risks regarding the ability to think creatively, dynamically and in a stakeholder-orientated way because cultural homogeneity can result in an 'echo chamber'. If cultural homogeneity and cultural diversity are both equally desired/undesired organisational states, there exists a dilemma.

Researchers such as Trompenaars[70] have emphasised the need to look at finding win–wins when faced with cultural dilemmas. It is possible to consider, for example, that shared foundational worldviews are vital, but that having people with a diversity of views and experiences about the best ways to *enact* those worldviews in context is vital to achieving goals in increasingly dynamic contexts.

4. How is culture expressed and maintained in organisations?

4.1 The cultural web

The most notable categorisation of cultural manifestations is Johnson's Cultural Web.[71] Here 'the paradigm' is the term used to describe the worldviews that underpin, and lie at the heart of, culture. The aspects that underpin expressions of culture are depicted in the outer rings (Figure 3). The inner and outer rings should ideally be strongly aligned, so that they form a coherent system that shapes organisational behaviour.
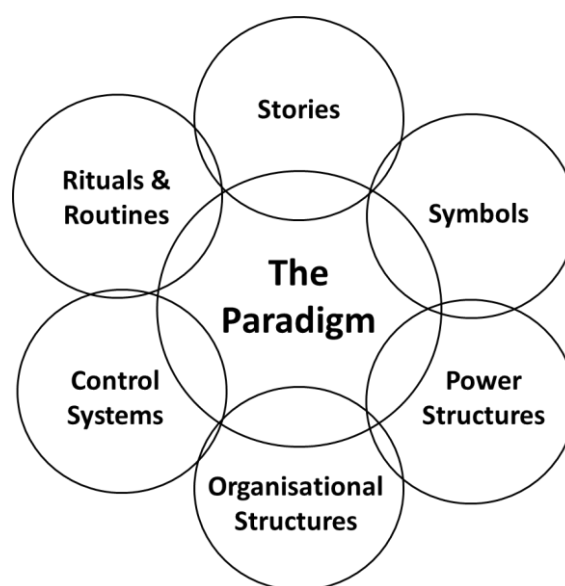

Figure 3: Schematic representation of Johnson's Cultural Web
Source: Johnson[72]

The aspects of the Cultural Web are summarised as:

- **"The paradigm** is the set of assumptions, widely held and taken for granted in an organization. These may be very basic but very resilient.
- **Power** is the ability of individuals or groups to persuade or coerce others into following courses of action or to prevent courses of action being followed. The most powerful individuals or groups are likely to be closely associated with the paradigm.
- **Organizational structures** are the not only formalized roles, responsibilities, and reporting relationships in organisations but also the informal structures and relationships through which the organization functions.
- **Control systems** are the formal and informal ways of monitoring and supporting people and tend to emphasize what is seen to be important in the organization.
- **Routines** are the taken for granted 'way we do things around here.'
- **Organizational rituals** are particular activities or special events that emphasize, highlight, or reinforce what is important in the culture. Examples include training programs, interview panels, promotion and assessment procedures, and sales conferences.
- **The stories** told by members of an organization embed the present in its organizational history and let people know what is conventionally important in the organization. They typically have to do with successes, disasters, heroes, villains, and mavericks (who deviate from the norm).
- **Symbols** are objects, events, acts, or people that convey, maintain, or create meaning over and above their functional purpose. These include physical artefacts, people who come to represent especially important aspects of an organization and the terminology used in an organization. Although symbols are shown separately in the cultural web, many elements of the web are symbolic in nature."[73]

The Cultural Web assumes that these eight aspects are reinforcing and related to the organisation's history and identity. This theory reinforces arguments about cultural hardware and software and about culture and identity – specifically, the important role played in shaping organisational cultures by powerful individuals who represent the behaviours associated with the organisation's central worldviews.

4.2 Pressures from a shifting operating context

Organisational 'worldviews' embody fundamental assumptions about what is valuable for an organisation to protect and enhance and how the world works. In turn, this shapes views about how to live the organisation's values and achieve its goals. Hence, if perspectives change regarding value, or how the world works (eg because of changing leadership messages, changing stakeholder/societal views, or the firm becoming purpose-driven) then the cultural software and hardware will adapt to learn better ways of producing the outcomes in context. This may include governing bodies and managers giving preference to stakeholder relationships based on shared goals which can help the organisation achieve the value outcomes it desires, which in turn reinforces culture. How quick or thorough a change in culture due to operating context will be depends on the firm's context and how adaptable the cultural hardware and software are.

Senior executives, as powerful members of the cultural identity group, are vital for signalling new worldviews and the behaviours that enact them.[74] Cultural hardware and software are constantly shifting in relation to these leadership signals, as well as in relation to the operating context.

As a consequence, we might expect that leadership intervention to achieve cultural behaviours that are discordant with powerful aspects of the external normative context (eg the worldviews of powerful

stakeholders) could encounter difficulties and may require continued energy to sustain change. This is true for organisations trying to move towards being purpose-driven (see *Unleashing the sustainable business* Part 1 and Appendix 2). BAU organisations and purpose-driven organisations have firm-level narratives, each nested within a corresponding wider worldview. Thus it is difficult for an organisation with an underlying BAU worldview to have a firm-level narrative that goes beyond BAU and into purpose-driven organisation narratives. For example, in a BAU organisation, over time, leadership will have been oriented towards preferencing relationships with stakeholders that can support attainment of profit maximisation (short-term for organisations operating under CSR logic, long-term for ESV logic organisations). Being purpose-driven represents a change in worldviews to a very different kind of pinnacle value-generation (ie orientated to the meaningful end goal of an economy – an optimal, strategic contribution to long-term wellbeing for all). Hence, we can logically conclude that aspects of the cultural operating context that supported the old value-generation goal, including clients, suppliers and customers, will need to be actively engaged and influenced to enable the new purpose to be achieved.

Box 1: Three foundational business logics

In *Unleashing the sustainable business*, three alternative business logics were presented that help explain most decision-making in organisations today. Each logic requires a different kind of governance:

- **Logic 1: Corporate social responsibility** (CSR; BAU) holds short-term financial self-interest as the ultimate goal of the organisation, and every decision must align with this. Due to reliance on assumptions about the 'invisible hand' of the market, long-term wellbeing for all (the ultimate ends of the economy) is off-limits for direct innovation and the foundations of profit (healthy social and environmental systems) are not reflected on the balance sheet.
- **Logic 2:** As organisations start to identify the threats that unsustainability poses to their longer-term survival and profit maximisation, they move into the second logic: **enlightened shareholder value** (ESV; BAU). The 'invisible hand' of the market is still taken for granted and self-interest is still the core goal, but financial income generation is instead optimised over the long term by operating within the bounds of social and environmental thresholds, healthy stakeholders and secure stocks and flows of *all* capitals (eg through managing greenhouse gas emissions in line with scientific evidence).
- **Logic 3: A purpose-driven** logic represents a deep paradigm shift. Here organisations take accountability for *delivering directly to the ends of the economy* (ie long-term wellbeing for all) – and not via faith in the 'invisible hand'. Hence the core difference between this logic and the BAU logics of CSR and ESV is that the organisation's active decision-making moves away from self-serving to other-serving – while maintaining adequate profits for survival and stakeholder support, as a means to achieving the purpose.

It therefore follows that there needs to be alignment between the behaviours that are valued by leadership internally and the worldviews of the external operating context. Focusing on clarifying and strengthening shared worldviews, both within the organisation and between the organisation and key stakeholders, is a powerful way in which leadership can shape culture. This is because organisational worldviews provide the motivating force to refute and shape an external context that is misaligned with an internal context, and this solid shared anchor point is likely to allow for effective, efficient and adaptable strategic decision-making in service of these clear and meaningful goals. This is one potential explanation as to why many report that purpose-driven organisations create a strong context for decision-making –

because journeying to purpose requires consideration and clarification of otherwise opaque and diffuse worldviews and the translation of these into a specific overarching strategic purpose.[75]

Johnson and Scholes, writing in 1999,[76] noted that the operating context of organisations was shifting very fast. This meant that many employees were feeling that organisations' cultural behaviours (and associated leadership, strategy and structures) were becoming irrelevant and out of step with societal values. This has undoubtedly accelerated since that time, as unsustainability crisis headlines mount.

The progression from CSR and ESV to purpose-driven organisational worldviews can be seen as a step-change in relation to this external context. The presently dominant CSR/ESV worldviews assume that business's best role in contributing to society's collective wellbeing is to maximise profit within legal parameters, with society and nature viewed as unlimited resources.[77] Society, including business leadership and employees, is beginning to recognise the threats to wellbeing posed by these conventional economic and business worldviews. Purpose-driven organisations start from a worldview that operates within, and beyond, a formal market to maximise their strategic contribution to long-term wellbeing for all (sustainability), within the parameters of healthy social and environmental systems. In other words, concerted efforts to move market economies away from financial income maximisation (GDP) as a means to measure and achieve the ultimate ends of collective long-term wellbeing – and towards 'wellbeing economies' that deliver those ends directly[78] – are mirrored and operationalised by purpose-driven organisations. Purpose-driven organisations therefore in effect become a way in which a wellbeing economy can be made reality. PAS 808 on Purpose-Driven Organisations[79] is the first national standard to offer a consensus view on the organisational worldviews that are most likely aligned with sustainability – the worldviews that purpose-driven organisations are likely to hold (these worldviews are outlined in Appendix 2).

It is important to note that cultural software and hardware may sometimes need to adapt to external pressures (eg crises, recession etc) on a temporary basis, and related behaviours may be flexed in the moment.[80] By extension it would appear important that leadership is clear about those behaviours that are permanently valued and should be supported by changes to cultural software and hardware, and those which are temporarily necessary but not normally valued so highly.

4.3 Culture and organisational structure

Much has been written on the deep connections between organisational culture and organisational structure – the organisation of roles, responsibilities and relationships. Organisational structure is in fact part of cultural hardware, and a term often used as an umbrella for all hardware aspects. As discussed previously (see section 2.3 on hardware and software), cultural software and cultural structure (hardware) are, together, seen as having some of the most explanatory power over the behaviour and performance of organisations and the individuals within them. Cultural software legitimises the structure, and structure institutionalises and can change the cultural software.[81] Hence, an organisation's cultural software and its structure are expressions of each other (see section 2.3 on hardware and software). As a result, great attention needs to be paid to aligning these two aspects, as otherwise tensions and conflicts will arise which can severely hamper the organisation's progress towards its goals.

Two foundational criteria underpin approaches to cultural behaviours and structure in organisations: 1) distribution of power, and 2) orientation – primarily towards either tasks, or people. Four

cultural/structural forms have been identified by Janićijević,[82] drawing on Trompenaars[83] and Handy[84] (**Error! Reference source not found.**1):

Table 1: Correspondence of organisational cultural behaviour types and organisational structure models

Distribution of power / Centralization level	Collective action frame / Formalization level	
	Work structure, tasks High formalization	Social structure, relations Low formalization
Authoritarian, hierarchical distribution of power High centralization	Role culture (H) 'Eiffel Tower' culture (T) Bureaucratic model of organizational structure	Power culture (H) Family culture (T) Simple model of organizational structure
Egalitarian distribution of power Low centralization	Task culture (H) 'Guided missile' culture Professional model of organizational structure	People culture (H) Incubator culture (T) Adhocracy model of organizational structure

H = Handy, 1996. T = Trompenaars, 1994. Source: Janićijević[85]

Academic literature has long classified more mechanistic 'top down' approaches with 'standard operating procedures' to organic structures.[86,87,88] More recently, 'doctrine' based approaches provide a middle ground of principles-based guidance to structure decision-making while remaining largely adaptive.[89]

Mechanistic structures provide a 'once-and-for-all' decision "that a particular task shall be done in a particular way … [This] relieves the individual who actually performs the task of the necessity of determining each time how it shall be done".[90] This reduces ambiguity about how to enact cultural values in context, but also reduces flexibility and a sense of efficacy and purpose regarding outcomes.

On the other hand, organic structures, which draw from the 'organisations as organisms' paradigm,[91,92] rely more heavily on making cultural values explicit. Additionally, they require ongoing 'proof-points' about what enacting these values means in practice so that the right kind of behaviour is manifested. They also rely more heavily on recruiting the 'right kind of people'. This approach seeks to create "in the … employee him/herself … a state of mind which leads him/her to reach that decision which is advantageous to the organization".[93] The cultural conditions for this require active creation, with leadership "inject(ing) into the very nervous systems of the organization members the criteria of decision that the organization wishes to employ".[94]

Most authors are agnostic about the 'best' type of structure and emphasise the importance of cultural and contextual fit – which in turn relies on the worldviews that shape the organisational logic and that set the basis of what type of value the organisation is seeking to generate and in what way. For example, many note the shifting operating context including changing societal values and increased volatility, uncertainty, complexity and ambiguity (VUCA)[95] which favours more agile organic structures in general.[96] This may also be true for purpose-driven organisations. Core to the worldviews of purpose-driven organisations[97] is that people are primarily motivated to serve others. This intrinsic motivation – combined with an organisational purpose that acts as a clear 'cultural North Star' to encode worldviews, a strategic goal and the parameters for achieving it – means that purpose-driven organisations would seem more likely to

thrive with an organic structure. However, this does not mean that a purpose-driven company *must* adopt an organic structure. It is merely that a purpose-driven company is theoretically more able to enact this type of structure and that this fluid structure may better enable the creativity and agility needed to meet the complex problems that organisational purposes are usually formulated to address.

Some are more decisive in stating that purpose and organismic/organic approaches to organisational structure must go hand in hand. Laloux,[98] for example, provides a classification of organisational structures using evolutionary theory applied to organisations (**Error! Reference source not found.**4). He suggests that o rganisations have followed a path over the centuries from more survival-based and autocratic styles guided by rules and procedures to more self-organising and institutive styles guided by values and purpose.

Figure 4: Laloux's stages of organisational evolution

Source: PMI[99]

4.4 Culture and leadership

Academics like Schein and Schein[100] see corporate culture and leadership as two sides of the same coin. Leadership style influences culture over time, and culture will influence what type of leadership is needed. In other words, bringing about and maintaining the 'appropriate' corporate culture is a key objective of leadership but leadership itself is an integral part of an organisational culture. "Healthy cultures are the result of effective leadership and management whereas unhealthy cultures are the result of ineffective leadership and management."[101]

Contextual factors will impact which type of leadership is most 'successful' in defining and reinforcing cultural worldviews (and associated software and hardware) that align with delivering collective long-term wellbeing. These factors include: the stage of maturity (eg start-up or legacy organisation); the

legacy/expected leadership style; and the other stakeholder cultures it inter-relates with (eg countries of operation,[‡] suppliers and investors).

Hence, as discussed previously, the external context is a critical limiting factor because an organisation is deeply embedded in the culture of its broader context.[102,103] Schein[104] notes that the wide range of contextual factors shaping 'good leadership' is probably the reason why there are so many disparate theories of leadership.

Since leadership styles are a powerful influence on culture, they will result in different types of value-generation outcomes. Hence leaders are critical for enabling and limiting what type of value is produced. It would therefore seem vital that leaders are clear about their particular organisation's worldviews (including making explicit the values and purpose) and have a conscious view about the cultural hardware, software and leadership styles that they need to help bring about and sustain. They will also need to be clear about how the organisational context may challenge or support this endeavour. Without clarity about goals, parameters and desired enabling culture (as well as an understanding of the operating context) it is not possible to define what 'good' leadership and 'good' culture looks like for an organisation – and hence not possible to define organisational 'success'.

Despite this idiosyncratic reality, some general conclusions have been made about 'high-performing' cultures and the role of leadership in producing these. These are covered in detail later in this paper. One key aspect of leadership that is likely to enable a high-performing culture is leadership as meaning-making. At its heart, organisational culture is a shared system of meanings, which provides a foundation of communication and shared understanding.[105] If the culture does not support this shared meaning, then the efficiency of an organisation to achieve any goal can be significantly impaired. Leaders exert influence by creating meaning between certain types of behaviours, associated identities and valuable outcomes, through adjusting hard and soft aspects of culture outlined in this paper.[106,107,108] Hence leadership can perhaps best be understood as a 'meaning-making' endeavour and this in turn explains the vital role of leadership in making and sustaining a culture. Therefore, leaders can ensure the organisation focuses as effectively as possible on delivering the desired value-generation outcomes by making sure there is alignment between the different parts of the organisational meaning system.

4.5 Culture and strategy

Strategy is a decision about how best to achieve a goal within specific parameters. Just as people suggest that 1) *organisational structure* and culture, and 2) *leadership* and culture are 'two sides of the same coin', academics have made the same point about *strategy* and culture. Bate[109] argues that:

"the one is the other: culture is a strategic phenomenon: strategy is a culture phenomenon." Therefore, strategy should be seen as a cultural form as it comprises "a set of truths, a linguistic structure and a system of ideas, values and beliefs".

The implication is that the development of any kind of strategy should be seen as simultaneously being development of the culture, and that all changes to culture are strategic changes. This means that devising

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a cultural change programme that is separate from formal and emergent strategic planning is illogical. As leadership and structure are also intertwined with culture, the same can be said of these. Hence, organisations that are becoming purpose-driven, and so making foundational change to the overarching goal and parameters of the organisation, are altering the very foundations of strategy-making. This provides yet another reason why becoming purpose-driven should result in a large shift in culture.

4.6 Culture and governance

Organisational governance, as the formalised central leadership system in any organisation, is also a key driver and expression of culture – via its core functions of direction, accountability and oversight (ISO 37000[110]). The governing body drives the culture through the 'tone at the top', including how it judges the success of the CEO and, by extension, of management as a whole. Through directing the organisation's goal, strategic objectives, and the parameters within which these are met, it provides strong cultural signals and physical barriers/incentives. Governance, if implemented, allows for the formalisation of the culture through the articulation of an organisation's core worldviews in the organisational objects or purpose, through the strategic objectives it sets and the parameters for achieving these (eg values, risk appetite, limits for healthy stocks and flows of capitals) that it encodes in governance policies.

Following a range of scandals (for example VW's Dieselgate, and Wirecard) there is a strong push for governing bodies to be able to articulate the culture they want to create, to ensure this is achieved and to be accountable to stakeholders for this. See the *Unleashing governance for sustainable business*[111] paper for more details.

4.7 Summary of how culture 'shows up' in an organisation

As the above analysis has shown, culture manifests itself in an organisation in many varied ways, some visible and some hidden. Key areas that culture overlaps with, and where culture is inherent to the results achieved, include strategy, leadership, innovation, organisational structure and governance. Each of these aspects is in a reciprocal (two-way) relationship with culture, forming a dynamic yet self-reinforcing whole. At the same time each aspect can be intentionally influenced, influencing in turn the cultural system as a whole (see Figure 5). How easy it is to influence culture will depend on how deeply, unconsciously and commonly held the worldviews are and how encoded to the cultural hardware and software they are.
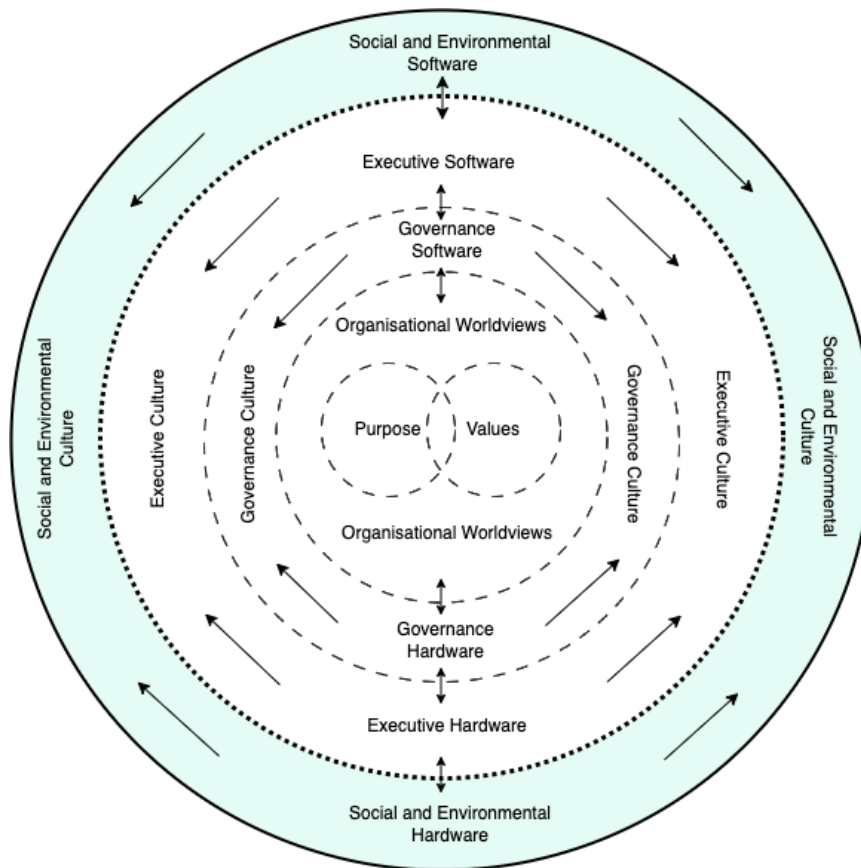
Figure 5: Organisational cultural system and the interaction with governance and management
Source: Author's own work

5. What are the links between culture, performance and purpose?

5.1 Culture and performance

Just as people are looking to governance to help resolve the underlying causes of scandals and large-scale organisational failures (see *Unleashing governance for sustainable business*), they are equally turning to culture.[112,113,114]

The increasing focus on culture could be seen as part of a return to considering the more emotional and intangible aspects which drive organisational performance.[115] These emotional and intangible aspects are part of cultural 'software' and are areas that the earliest management researchers focused on (including purpose – see *Unleashing the sustainable business* Part 1). However, these cultural software aspects were notably repressed as part of BAU logic where hardware aspects were emphasised alongside the heuristic of 'homo economicus'. The latter views humans as rational, utility maximising and self-interested (see *Unleashing the sustainable business*), and has become the standardised cultural base of governance, management and employee behaviour. Deal and Kennedy[116] note: "for the past 20 or 30 years, organisation and management theossry has been concerned with rationality". Freeman and Liedtka[117] note: "managers have little training in understanding the complexity of human beings and their communities … They are encouraged to believe that humans are economic and economical beings". Quinn and Thakor[118] conclude that this extends to leaders: "The assumption that people act only out of self-interest also gets applied to leaders, who are often seen as disingenuous if they claim other motivations".

Chester Barnard, the 'godfather' of management studies, noted in 1938[119] that "to understand the society you live in you must feel organisations – which is exactly what you do with your university, church, community and family … The feeling is in our marrow, not yet emerged into articulate form." For Deal and Kennedy[120] this need for 'feeling' is highly significant for understanding and creating organisational culture – because culture derives from the intangible realm of worldviews and hence rationality (eg making decisions based on the observable and measurable) has only limited power in this regard. Indeed, many of the new wave of organisational and cultural theorists are employing very different approaches to lead and manage organisations and their cultures that tap more into cultural software: from Peter Senge's Fifth Discipline[121] to Otto Scharmer's Theory U.[122]

The increasing focus on organisational culture is therefore also partly explained by the growing scepticism in the behavioural assumptions of BAU. The scepticism enables an openness to more deeply considering culture as core to driving behaviour – and actively engaging with a wide range of social, psychological and anthropological research about culture and how to manage and govern it.

What do we really mean by 'performance'?

When analysing the role of culture in performance, it is important to have a precise definition of performance and of the desired outcomes. These outcomes are based on the core worldviews about what is valuable to protect and enhance, and how the world works. Culture and strategy are then based on an assumption, implicit or explicit, about how best to achieve the optimisation or protection of this 'value' within the assumed parameters of the 'way of the world'. Assessing the role of culture in driving 'performance' therefore naturally depends entirely on what measure of performance is used.[123,124]

As the majority of organisational culture research has been carried out within the BAU logic, care is needed when interpreting mainstream research about culture and organisational performance. Because BAU is so 'usual', research about 'organisational performance' is often undertaken with a short-term financial profit maximisation outcome in mind (BAU: CSR) – even if in most cases this is not made explicit. As a result of this implicit alignment, it is easy to think of profitability and performance as the same thing. However, this is actively challenged when operating within organisational logics with different value-generation goals (such as purpose).

For BAU/ESV companies, 'performance' is defined as financial income measured over the *longer term*. For purpose-driven organisations, performance is the achievement of the wellbeing outcomes specified in the purpose (with enough profit*ability* to enable this) and the organisation's degree of alignment to the meta-purpose of 'long-term wellbeing for all'.[125]

Commonly held 'intermediate' performance outcomes (also known as markers of organisational effectiveness[126] operate across the different logics and include sales, loyalty, market share, staff satisfaction, productivity, ownership, trust, engagement, speed to market, family and friend recommendations, etc. The level of emphasis placed on different intermediate markers depends on the particular organisational assumptions (culture), strategic objectives, resulting strategies and how these are measured.

As discussed previously, the optimal way to 'perform' to achieve the goals depends on the operating context and internal capacities of an organisation, and hence there are limitations to generalisations about the role of culture in performance. However, culture is ultimately about human behaviour, and there are some universal conclusions about what motivates humans, in groups, to strive to achieve a goal – in other words, common drivers of organisational effectiveness. Therefore, recognising the above limitations, the

next section will summarise research about which cultural features appear to drive organisational effectiveness.

5.2 Culture and organisational effectiveness

Organisational effectiveness is a sub-issue of performance – a diffuse term that is used here to mean be a focus on intermediary goals that are assumed to drive performance. Numerous studies have connected culture with organisational effectiveness.[127,128,129] Warrick[130] summarises a range of studies that show that organisational culture can have a significant influence on markers of 'effectiveness' including: "morale, job satisfaction, employee engagement and loyalty, employee attitudes and motivation, turnover, commitment to the organisation, and efforts to attract and retain talented employees".

Edmans' study concluded that employee satisfaction and commitment are particularly important and noted that companies with the highest employee satisfaction outperformed "the market by 2–3% per year, over a 26-year period from 1984–2009".[131] Similarly, Lok et al.[132] note that organisational commitment and job satisfaction have been shown to be major determinants of organisational performance[133,134] and effectiveness,[135,136] including staff turnover.[137]

5.3 Cultural analysis tools

Employee behaviours are a consequence of an individual's identity (including values) and expectations, colliding with events they encounter within the organisation. These events will be strongly shaped by an organisation's culture. Therefore, one approach to try and understand how culture drives performance is via the level of fit between the company culture and employee values,[138,139] as exemplified by the Organisational Culture Profile. Alternatively, it can be valuable to focus on the values of the culture in relation to the goals of the organisation, as in Quinn and Rohrbaugh's[140] Competing Values Framework. These key cultural analysis tools are outlined below along with their core limitations.

Organisational Culture Profile

O'Reilly, Chatman and Caldwell's[141] Organisational Culture Profile (OCP) was developed to identify organisational–employee value fit. The OCP outlines 54 values which, when analysed statistically, map across seven factors that the authors judge to be representative of companies and individuals. They are listed in full here as they give a sense of the different cultural values being used to differentiate between organisations and to measure if employees 'fit' an organisation:

1. Innovation
   o Innovation
   o Opportunities
   o Experimenting
   o Risk-taking
   o Careful (negative coding)
   o Rule orientated (negative coding)
2. Team orientation
   o Collaboration
   o People oriented
   o Aggressive (negative coding)
   o Competitive (negative coding)
3. Respect for people
   o Respect for individual

- o Fairness
- o Tolerance

4. Outcome orientation
    - o Achievement oriented
    - o Action oriented
    - o High expectations
    - o Results oriented

5. Attention to detail
    - o Precise
    - o Attention to detail
    - o Analytical

6. Stability
    - o Stability
    - o Predictability
    - o Security
    - o No rules (negative coding)

7. Aggressiveness
    - o Aggressive
    - o Competitive
    - o Socially responsible (negative coding)

The research does not conclude what culture is 'best' for organisational effectiveness but only that the level of employee–company cultural fit predicts intermediate measures of organisational effectiveness like job satisfaction, organisational commitment and likelihood to leave. Although this is still a widely cited approach and is based on foundational values, the age of the study may reduce its current validity.

Competing Values Framework (CVF or OCAI)

Perhaps the most widely used tool to analyse culture and relate it to organisational effectiveness, even today, is the Competing Values Framework (CVF), also known as the Organizational Culture Assessment Instrument (OCAI).[142] Hartnell et al. carried out a meta-analysis in 2011[143] of the effect of culture on organisational effectiveness using this tool, evidencing its contemporary use. This tool has been academically verified (with generally positive results), widely used (over 10,000 firms up until 2006[144]), and has conceptual clarity in focusing on the values at the heart of culture. This rare robustness makes it worth considering as a useful typology of cultures that gives a sense of which cultures may produce which type of results most effectively (Figure 6 and Table 2).
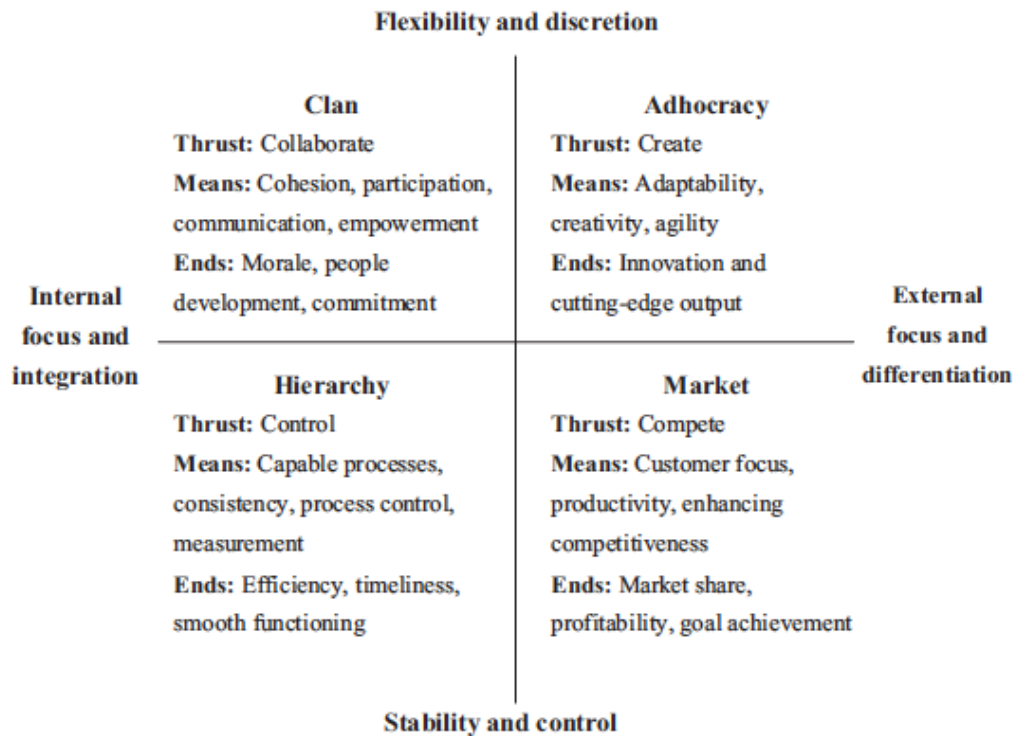
Figure 6: Competing Values Framework
Cameron et al.[145]

Table 2: The Competing Values Framework's four culture types

Culture Type	Assumptions	Beliefs	Values	Artifacts (behaviors)	Effectiveness Criteria
Clan	Human affiliation	People behave appropriately when they have trust in, loyalty to, and membership in the organization.	Attachment, affiliation, collaboration, trust, and support	Teamwork, participation, employee involvement, and open communication	Employee satisfaction and commitment
Adhocracy	Change	People behave appropriately when they understand the importance and impact of the task.	Growth, stimulation, variety, autonomy, and attention to detail	Risk-taking, creativity, and adaptability	Innovation
Market	Achievement	People behave appropriately when they have clear objectives and are rewarded based on their achievements.	Communication, competition, competence, and achievement	Gathering customer and competitor information, goal-setting, planning, task focus, competitiveness, and aggressiveness	Increased market share, profit, product quality, and productivity
Hierarchy	Stability	People behave appropriately when they have clear roles and procedures are formally defined by rules and regulations.	Communication, routinization, formalization, and consistency	Conformity and predictability	Efficiency, timeliness, and smooth functioning

Source: Quinn and Kimberly[146]

It is unclear how useful the CVF is for understanding purpose-driven cultures because wellbeing outcomes within healthy system thresholds (which are the core to purpose-driven organisations) are not explicitly reflected in the assumption, values or effectiveness criteria of the CVF. Instead, the CVF integrates BAU assumptions (see Table 3 for some other key cultural attributes with BAU focus on financial income as the

assumed pinnacle goal). This is an issue that plagues all major robust analysis tools for optimising organisational cultures, and so limits their application to purpose-driven organisations.

Table 3: Additional cultural attributes and their impact on financial performance

Cultural attribute	Impact on financial performance – example research	Reference
Consistency (stability trait)	Profitability performance is best predicted by the stability traits, mission and consistency	Denison and Mishra 1995[147]
Adaptability (flexibility trait)	Sales growth performance is best predicted by the flexibility traits of involvement and adaptability	Denison and Mishra 1995
Mission strength (stability trait)	Profitability performance is best predicted by the stability traits of mission and consistency (for large firms)	Denison and Mishra 1995
Involvement (flexibility trait)	Sales growth performance is best predicted by the flexibility traits of involvement and adaptability	Denison and Mishra 1995
Being sustainability orientated	"$1 invested in the high sustainability companies in 1992 was worth $23 in 2010, whereas the low sustainability companies would have given a return of only $15". This effect can only be seen over the longer term.	Eccles et al. 2012[148]
Being purpose-driven	Purpose to long-term financial performance where that purpose is clear. Higher where middle managers are clear on purpose.	Gartenberg et al. 2019[149]

5.4 'Strong' cultures

A strong culture is one that endures and is made visible.[150] These features are aligned with a purpose-driven organisation and necessitate making the firm's reason to exist clear and stable. A strong culture has been identified as connected to organisational effectiveness, although once again these observations are only measured against financial performance goals.

One of the most cited pieces of research was an early 11-year longitudinal study of company culture by Kotter and Heskett.[151] This measured cultural strength as follows:

- Managers in the firm commonly speak of their company's style or way of doing things.
- The firm has made its values known through a creed or credo and has made a serious attempt to get managers to follow them.
- The firm has been managed according to long-standing policies and practices other than those just of the current CEO.

In this study, strong cultures achieved, on average, a 682 per cent increase in sales and a 901 per cent increase in share price over the study period, compared to 166 per cent and 74 per cent respectively for less strong cultures. The research did not consider the type of culture but only its strength.

5.5 High- and low-performing cultures

Warrick[152] reviewed a limited range of research and, from this, attempted to summarise the common features of a high-performing versus low-performing culture. This is summarised in Table 4. This work

highlights that, whereas high performance may be achieved in the short term, if this happens at a cost to others in the system (eg negative externalities) it will have direct negative financial consequences for the organisation over the longer term. Interestingly, the review by Warrick also highlights the importance of a culture that contains many of the features associated with purpose-driven organisations: values-led, transparent, learning-orientated and with decision-making clarity (see *Unleashing the sustainable business*).

Table 4: Characteristics of high- and low-performance cultures

Theme	High Performance Cultures	Low Performance Cultures
Leadership	Leaders are skilled, admired, and build organizations that excel at results and at taking excellent care of their people and their customers	Leaders provide minimal leadership, are not trusted and admired, and do little to engage and involve their people
Direction	Clear and compelling vision, mission, goals, and strategy	Vision, mission, goals, and strategy are unclear, not compelling, not used, or do not exist
Values	Core values drive the culture and are used in decision making	Core values are unclear, not compelling, not used, or do not exist
Doing things right	Committed to excellence, ethics, and doing things right	Lack of commitment to excellence, questionable ethics, and a reputation for doing what is expedient rather than what is right
Roles and responsibilities	Clear roles, responsibilities, and success criteria, and strong commitment to engaging, empowering, and developing people	Unclear roles and responsibilities and little interest in fully utilizing and developing the capabilities and potential of people
Energy	Positive, can-do work environment	Negative, tense, stressful, and/or resistant work environment
Transparency/ communication	Open, candid, straightforward, and transparent communication	Guarded communication, reluctance to be open and straightforward, and consequences for saying things leaders do not want to hear
Collaboration	Teamwork, collaboration, and involvement are the norm	Top-down decision making with minimal teamwork, collaboration, and involvement
Learning	Emphasis on constant improvement and state-of-the-art knowledge and practices	Slow to make needed improvements and behind times in knowledge and practices

Source: Adapted from Warrick[153]

5.6 Ethical culture

What is an ethical culture?

Behaving ethically means acting in alignment with the moral landscape.[154] This moral landscape is determined by stakeholders – those with whom an organisation is in a relationship because the organisation affects them, or they affect the organisation. Hence, to act ethically is most usefully interpreted as acting in line with general societal expectations of 'doing the right thing'. In a globalised world facing global threats, this stakeholder context is arguably global society, and long-term wellbeing for all (sustainability) is increasingly the measure for ethical business (*Unleashing the sustainable business* Part 1) – with the implication that producing national income and jobs is no longer enough.

Using the definition above, ethical decisions should include consideration of future generations as a key stakeholder affected by the organisation's activities. The definition of sustainable development is hinged on this, and countries and companies are starting to bring future generations more formally into decision-making, eg the Welsh Minister for Future Generations.[155] Therefore, the extent to which an organisation's culture is based on worldviews (including values) that are also held by global society at large, including in

respect to future generations, will underpin whether a company is more or less likely to act ethically and hence have a stronger or weaker social licence to operate.

Is BAU culture aligned with the moral landscape?

As income inequality grows and self-interested behaviours continue to reduce trust in institutions (eg as shown by Edelman's yearly Trust Barometer), the belief that focusing on profits will deliver wellbeing outcomes for society may wane. In this context, BAU may be increasingly judged to have produced organisational cultures at odds with the moral landscape. As sustainability pressures increase, BAU organisations may need to address their core worldviews in order to retain their social licence to operate.

Can BAU culture be aligned with the moral landscape?

One of the issues fuelling the perceived 'unethical behaviour' of many profit-maximising organisations, especially those subject to or influenced by Anglo-Saxon approaches, is likely to be that BAU tends to combine values of 'small government' and hence a resistance to regulation. It is perhaps logical to assume that if we had enough of the right kind of regulation, it would be possible to enforce ethical behaviour. However, the argument made in *Unleashing the sustainable business* Part 1 is that to align the behaviours of an organisation with BAU worldviews with sustainability would require sustained and highly enforced regulation. This would be very time- and money-intensive, and would therefore restrict the ability of organisations to innovate for society – something we are seeing unfolding in the environmental, social and governance (ESG) space.

BAU promotes short-term self-interest and is designed to externalise costs wherever legally possible. The currently, largely voluntary system of disclosure sees companies publishing against a wide range of complex ESG metrics, with no clarity about whether these are the right measures to ensure healthy social and environmental thresholds and what will be done about those falling short of the mark.[156] Regulation would therefore need to challenge underlying organisational worldviews and behaviours, prescribing (and policing) alternative behaviour aligned with the moral landscape.

Given the potency of ingrained culture, regulation alone may be inadequate to change behaviours, and could also stifle innovation in service of sustainability by creating administrative complexity and cost or provoking a backlash. Therefore, while legislation and regulation are needed to set and enforce clear boundaries for company behaviour within healthy social and environmental systems, culture must also be leveraged in order to unleash the innovative power of companies to deliver long-term wellbeing for all within those clear boundaries.

Is an ESV organisational culture aligned with the moral landscape?

ESV companies are motivated through *long-term* self-interest, to adopt societally aligned worldviews (as far as they support the conditions for long-term profit maximisation). This motivation requires deliberatively shifting the cultural hardware and software to support the long-term and more systemic thinking required for sustainability, and to overcome the tendency towards short-term financial capture. Because the core motivation of self-interest remains, even if focused on the long term, making decisions that move financial value from the organisation to create broader value in society is not 'natural' – and each decision is made on the basis of maximising profit. This will at best limit and at worst stunt the ability of the firm to innovatively achieve the goal of delivering long-term collective wellbeing. Additionally, there is likely to be a tendency not to release more value (financial or otherwise) to stakeholders than is absolutely necessary, which is likely to result in under-, rather than over-allocation of capital.

Is a purpose-driven organisational culture aligned with the moral landscape?

For purpose-driven companies, the organisational purpose is a contribution to humanity's *meta-purpose* of 'long-term wellbeing for all' within thresholds of healthy social and environmental systems, healthy stakeholders and healthy stocks and flows of a range of capitals that derive from them. PAS 808:2022 outlines a consensus-based view of the worldviews that purpose-driven organisations are more likely to hold and shows how these are aligned with the concept of a sustainable future. Hence, purpose fundamentally aligns the interests of society, companies and their executives. That does not mean that society will always recognise this without very strong leadership and marketing or that a purpose-driven company will always act optimally. Hence, there is still a risk of purpose-driven organisations being misaligned with the moral landscape, or perceived to be. Because purpose needs to be continually 'lived' – brought to life through leadership, process, structured action and celebration of results – ethical behaviour should become embedded in decisions as the cultural hardware and software are aligned with the purpose by leadership and employees. How well this is done depends on the level of maturity of the organisation on its journey to purpose. An organisation in transition is likely to be living 'hybridity' (trying to optimise for both profit maximisation and purpose) and this stage needs to be carefully managed to avoid 'purpose-washing' and other unethical behaviour.

6. What does this mean for purpose-driven organisations?

This chapter builds on the literature reviewed above and in *Unleashing the sustainable business* to deduce what principles, worldviews and behaviours might be required in order to transform to a purpose-driven organisational culture. As outlined in *Unleashing the sustainable business* Part 1, ESV companies, properly managed, can go a long way to achieving sustainability, and purpose-driven companies can go much further than that. There is also the suggestion, commonly made by academics and practitioners, that being purpose-driven may result in higher-performing, more effective organisations (although there is still very little empirical research and few strong hypotheses have been built to enable conclusions to be drawn). A range of popular literature and research as outlined in the same report describes the relationships between a purpose-driven organisational logic and potential for profit maximisation (the BAU interpretation of performance) as well as intermediary drivers of performance such as retention rates and employee engagement. This paper reveals some of the cultural mechanisms that are likely to underpin the assertions made by others.

Unleashing the sustainable business Part 2 proposes that a combination of clear direction, a meaningful goal and authenticity mean that stakeholders are more likely to give their energy to support purpose-driven organisations, which is likely to explain many of the performance achievements. However, stakeholder support for a company with a purpose is predicated on the purpose being 'lived'. Even those with a genuine intent to deliver on a suitable purpose will fall into the camp of 'purpose-washing' if purpose is not effectively embedded into the cultural software and hardware, and any arising negative reputational results will reduce the effectiveness of the firm and its ability to achieve its purpose.

From the literature on culture reviewed in this paper, we can suggest that whether purpose can drive appropriate behaviour will depend heavily on having purpose-aligned worldviews that are widely and strongly held across the organisation. Moreover, these need to be allowed and enabled to manifest in cultural hardware and software. This is the difference between a company that is authentically purpose-driven and one based on the unrealistic perceptions of a few, and is effectively 'purpose-washing'.

Social enterprise Contexis CIC has partnered with academics in the University of Cambridge (including the author of this paper) to investigate how purpose is activated via commonly known desirable cultural

attributes.[157] These attributes, catalogued in the Contexis Index[158] (see Table 5 below), include clear context, ownership, trust, engagement, adaptability and compassion. Indeed, there is a wealth of existing research (which is out of scope for review here) that supports each of the attributes in the Contexis Index as being an independent driver of an effective organisation. Results are beginning to give tentative weight to their hypothesis that purpose does drive performance and that cultural attributes may be moderating this, though there is much more research that needs to be done in this rich area.

What are the worldviews and associated behaviours that underpin a purpose-driven culture?

If worldviews are at the heart of any culture, then understanding the worldviews of a purpose-driven organisation and how far away these are from the current reality is the first step to unlocking the journey to becoming purpose-driven. As outlined above, it is difficult to decode worldviews, because they often sit below the level of conscious thought. However, PAS 808:2022 sets out in detail a national consensus view on the specific worldviews that purpose-driven organisations are likely to share. It goes on to detail the principles and exhibited behaviour which will exist in such a culture. This provides an ideal starting point for governing bodies and executive managers who want to address culture in the context of purpose-driven business transformation. The worldviews of a purpose-driven organisation in PAS 808 are detailed in Appendix 2.

Drawing on the analysis presented in this paper, Table 5 outlines a summary of cultural software and hardware features that are identified as being connected to effective cultures and are also conceptually aligned to the worldviews of a purpose-driven organisation. These features can be used as a starting point to think about how to govern and manage culture to support and develop purpose-driven companies. More research, such as that being carried out by Contexis, is needed to test the relationships between these features and purpose-driven organisations and how to leverage these relationships.

Table 5: Theories of cultural attributes connected to effective cultures and aligned to a purpose-driven organisation

Competing Values Framework (Quinn and Kimberly 1984)	Contexis Index (Contexis 2020)	High-performing cultures (Warrick 2017)
Teamwork	Ownership	Skilled leaders who take care of their people and customers
Participation	Context clarity	Clear and compelling purpose, vision, mission, goals and strategy
Employee involvement	Trust	Core values drive the culture and are used in decision-making
Open communication	Autonomy	Committed to excellence, ethics and doing things right
Risk-taking	Engagement	Clear roles, responsibilities and success criteria, and strong commitment to engaging, empowering and developing people
Creativity	Learning	Positive can-do work environment
Adaptability	Openness	Open, candid, straightforward and transparent communication

Compassion	Teamwork, collaboration and involvement are the norm
Adaptability	Emphasis on constant improvement practices
Clarity	
Velocity (speed of action)	
Alignment	

Source: Adapted based on Quinn and Kimberly,[159] Contexis Index,[160] Warrick[161]

How easy will it be to build and maintain a purpose-driven organisational culture?

Organisational cultures are in a continual interactive dance with all other cultures in their full network of stakeholders. Institutional theory, for example, shows that organisations tend to reflect their peers.[162]

Currently, building and maintaining purpose-driven worldviews and associated behaviours (via the right hardware and software) is not easy, because BAU culture is still embedded in society at large (as evidenced in *Unleashing the sustainable business* Part 1). Those trying to lead a journey to becoming purpose-driven will therefore repeatedly come into conflict with the very different behaviours and assumptions of those they continue to rely on, for example as embodied in law, financial markets and policymaking. This is perhaps why becoming a purpose-driven organisation is seen as a journey that potentially never ends[163] — strong, active maintenance of the culture is required on an ongoing basis.

As we see the BAU paradigm shift towards business worldviews more aligned with purpose, this should become less of a problem. Purpose-driven organisations might then be able to focus more fully on innovation for collective long-term wellbeing rather than on cultural battles or maintenance of their agendas. In the meantime, organisations at the vanguard of transformation can take comfort that the shifts in cultural norms they are helping to bring about are vital to altering the operating context of others. This is particularly vital since there are limits to what an organisation can achieve on its own, while operating within BAU systems, and there is therefore a need to create the external enabling conditions, from regulation and financial markets to corporate law.

7. Conclusion

Culture has become recognised as a hugely powerful factor underpinning what a firm does, how it does it and what results it achieves. While this central role is intuitively understood, its intangible nature, along with other complexities of changing a system that one is immersed within, are likely to have kept organisational culture from being governed and managed as a top priority. As companies begin to see 'transformation or bust' as the options ahead, and as society has less and less appetite to forgive companies acting purely in self-interest, the role of setting, achieving and maintaining the 'right' culture is becoming increasingly important. This means that having a solid foundation to talk about, understand and work with organisational culture is vital. In service of this goal, this paper provides a summary basis for informed debate and action.

Unleashing the sustainable business Part 1 and Part 2 set out the burning platform for the transformation away from self-interest (BAU/CSR and BAU/ESV) towards a purpose-driven organisation that is fully aligned with a sustainable future. These three distinct organisational logics are in effect sets of 'worldviews' that form the very basis of culture, shaping a firm's cultural hardware and software, moulding

all company behaviour. These logics fundamentally constrain the level and extent of sustainability-aligned behaviour that is possible. This paper points to an analysis of worldviews, using the three logics as a frame for that analysis, as the most effective starting point.

CSR and ESV share most of the basic worldviews about what business is and its role in society, and can be considered BAU approaches. They differ significantly in the time horizons in focus, with ESV's long-term decision-making requiring different cultural software and hardware. Purpose however represents a paradigm shift in worldviews about the economy, business and its role in society, and by extension this is likely to mean radical re-design of the cultural software and hardware. This is why, for any incumbent firm, purpose will almost always be a transformational journey. This paper has set out why, without prior understanding of this, and skilled governance and management of the culture, such a transformational journey will be fundamentally stymied.

It is therefore vital for organisations that wish to create a programme of transformation to a new cultural state to develop an understanding of their desired and current culture and from there to govern and manage the transition and maintenance of the change. Understanding and then shaping worldviews, cultural hardware and software and the behaviours that manifest from these, is an ongoing, iterative and dynamic process.

There are different starting points for this process:

- **One way is to first diagnose the current worldviews (logic) which have the most influence over behaviour.**[164] A clear understanding of what worldviews are held by the organisation (or by parts of it) means that these, and their alignment with the organisation's purpose and those of a purpose-driven organisation in general, can then be debated and engaged with. This is not easy because worldviews usually sit unseen in the subconscious. PAS 808, the UK's national standard on purpose-driven organisations, provides an effective starting point for transformation because it outlines the emerging consensus about the worldviews that purpose-driven organisations are likely to share. Governing bodies, executive managers and other leaders and stakeholders can use this to directly assess existing organisational worldviews.
- **Another approach is to start by assessing the organisation's cultural software (norms and customs) and hardware (systems, processes and structures),** and from there determine how these may need to adjust to result in desired behaviours and use this information to infer worldviews.
- **A third approach would be to start by envisioning the new behaviours desired,** work out what cultural hardware and software will be needed to enable them, and then clarify the underpinning aligned worldviews.

Once an organisation has diagnosed its current cultural position, and identified the culture it wants to achieve, the next step is to create a plan to realise, oversee and be accountable for this transformation. To enact this plan and sustain the new culture, the task of governance and management (see CISL's *Unleashing governance for sustainable business*) also includes actively shaping the external network of interdependent stakeholders and their associated cultures. These stakeholder cultures will also play a vital role in a firm's culture. Engaging external stakeholders can reveal their worldviews naturally, and seeking to shape these, or changing stakeholders if needed (and possible), is important to help to create the external enabling conditions for the desired culture. Recognising this system interdependency is critical because if key stakeholders are not aligned with the worldviews and consequent strategic objectives of the organisation, then achieving these becomes almost impossible. Finally, it is important to re-emphasise that culture is a complex system that cannot be controlled 'from the top down', although it is equally important to remember that some parts of the system have greater leverage than others. There is no easy

recipe to change culture, but the first step to transformation lies in assessing where organisational culture is today, and where it needs to go.

Culture has long been understood as a vital topic for business leaders. In the context of the need for urgent business transformation this needs to move from a topic of interest to a core governance and leadership skill. This paper provides the basic starting point that can support leaders' purpose-driven ambitions so that aligning a business with a sustainable future can move from idea to reality.

8. Appendices

Appendix 1: Defining culture – background to the definition used in this paper

While there is no agreed definition of culture,[165] at a basic level, culture can be understood as "the hidden force that drives most of our behaviour"[166] inside and outside organisations, and encompasses: "the sum total of what any group, organisation, or nation has learned throughout its history in coping with survival and managing its internal relationships".[167] Culture is therefore about shared learned assumptions as well as the behaviours and decisions that result from those assumptions.

Culture is expressed as learned decision-making that helps a group best solve the problems it most commonly faces. This is summed up in the meme: "the way we do things around here", which is an expression of routinised responses.[168] These overall definitions indicate the deep and pervasive nature of culture, and indicate why it is a difficult concept to grasp, why there are so many views/theories about it, and why therefore it may be difficult for organisations to work with the concept. It also points to why attempting to do so is so important.

Schein provides a practical definition of culture as*:
> "*1) A pattern of basic **assumptions**,*
> *2) invented, discovered, or developed by **a given group**,*
> *3) as it **learns to cope with its problems** of external adaptation and internal integration,*
> *4) that has worked well enough to be **considered valid** and, therefore*
> *5) is **to be taught to new members** as the*
> *6) correct way to **perceive, think, and feel** in relation to those problems*."[169]

*The emphasis in bold above has been added to highlight the important aspects of this definition.

This is not to imply that a culture springs up from nowhere or is static but rather, as emphasised in varying ways in the literature, it is the ongoing interplay between different groups (of varying sizes and histories) as they seek to align and differentiate, express and organise themselves in ways that adapt (often very slowly, and sometimes very fast) to the contexts they create and find themselves in.

From a perspective of the value that members of the group get from a culture (and hence why they are motivated to reinforce and develop that culture appropriately), culture is:

"The pattern of shared beliefs and values that give members of an institution meaning, and provide them with the rules for behaviour in their organisation."[170]

The conclusion that values and assumptions underpin culture is a robust academic one, emanating from early organisational culture research.[171,172,173,174,175] Extending the list beyond these foundations, Ogbonna[176] states that culture: "... is the values, norms, beliefs and customs that an individual holds in common with other members of a social unit or group." The list in this definition may seem a deceptively useful set of characteristics, but values, beliefs, norms and customs are individually complex and overlapping concepts.

Uttal[177] helps unpick this when he defines culture as: "Shared values§ (what is important) and beliefs (how things work) that interact with an organization's structures and control systems to produce behavioural norms (the way we do things around here)".[178] Hence norms (and customs) are best understood as the consequence of beliefs and values. These norms and customs (and associated attitudes and behaviours[179]) also serve to reinforce the beliefs and values.

Schein[180] goes further to put beliefs and values into a hierarchical order when he describes the layers of culture:

> "1. on the surface are the overt behaviours and other physical manifestations (artifacts and creations),
>
> 2. below this level is a sense of what ought to be (values),
>
> 3. at the deepest level are those things that are taken for granted as 'correct' ways of coping with the environment (basic assumptions)," summarised by Ogbonna.[181]

This depicts values as more conscious than basic assumptions about how to act. However, it could also be argued that values are deep assumptions about the world and that sometimes these are surfaced as a sense about what ought to be. Similarly, beliefs about the 'correct' ways of coping can be sub-conscious or more of a 'sense of a correct way to act'. It is therefore perhaps more helpful to think of culture in two layers, as Johnson and Scholes and others do: underlying assumptions/worldviews (values and beliefs – which may be conscious or sub-conscious) and the behaviours and systems that express these assumptions. This means that underlying assumptions or worldviews are critical to understand as they are core to an organisation's culture.

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§ "A value is an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence." Milton Rokeach, *The nature of human values* (New York, NY: Free Press, 1973), 5.

Appendix 2: Worldviews of purpose-driven organisations

Source: PAS 808:2022[182]

PDO worldviews on wellbeing:

Worldviews concerning wellbeing that PDOs are likely to share include:

a) wellbeing describes the fundamental positive outcome state for living beings. It is the basis of social value. The innovation and actions required to achieve wellbeing for everyone over the long term (while keeping social and environmental systems and associated capitals healthy) is the ultimate end objective of the economy and the objective of sustainability. The overall purpose of a PDO is to optimise its contribution to this;

b) deciding on what wellbeing is, and how to achieve it, is a basic, subjective and philosophical matter and therefore requires ongoing discussion by society. If organisations are to be able to help achieve wellbeing they also need to be part of these discussions so that they understand it well enough to positively impact it and not harm it;

c) there are categories of fundamental needs that underpin wellbeing which are considered to be universal (eg identity, health, freedom, participation), and there are minimum floors for each of these in order to sustain physical and psychological health. However, there is a huge variety of ways that fundamental needs can be met and optimised, and society increasingly relies on the economy and organisations to understand the best way of using resources to meet needs and therefore enhance wellbeing;

d) healthy, mutually supportive relationships with ourselves, each other and with nature are at the core of achieving wellbeing. Relationships based on self-interest are unlikely to result in optimised wellbeing for a third party;

e) many organisations pretend to meet real needs but only as a means to maximise financial income. Hence there is no oversight or accountability as to whether the promises made to society are true or whether in fact needs are being undermined;

f) many organisations routinely transform resources to capture short-term value for themselves and offload the issues and costs related to this onto others and future generations. In doing this they also offload costs onto their own future;

g) a narrow short-term focus on financial profit maximisation for organisational survival or for one set of stakeholders (eg members/shareholders), has produced some clear benefits for some people. However overall, organisations have tended to meet the short-term desires of a few while systematically undermining the health of social and environmental systems and associated capitals for everyone in the process;

h) fundamental social and environmental systems are now under severe and urgent threat with both the ultimate ends and means being beyond accountability and hence neglected and/or destroyed. This is the root of unsustainability;

i) over time the link between ways of consuming and the optimal, sustainable meeting of our needs has become distorted. It is therefore very difficult for consumers to optimise their wellbeing in the market and know how best they can make decisions that are good for them or others in either the short or long term;

j) organisations expect regulation to guide their operations in a way that does not undermine long-term wellbeing for all people and planet, at the same time often seeking to reduce this interference. Organisations, particularly large corporates, have become so powerful and effective at lobbying that they are able to make this governance mechanism ineffective;

k) organisations and society have been run under the false assumption that nature can be drawn from and also used as a sink to dispose of unwanted materials, combining biological and

manufactured materials, without consequence. This was always at odds with rational behaviour, but the science is now clear that this linear approach that works against environmental systems is one of the root issues undermining wellbeing; and

l) as a consequence of a) to k), there is a need for organisations to transition to being PDOs, or be created as PDOs, so that organisations optimise their contribution to long-term wellbeing for all people and planet rather than undermining it.

PDO worldviews on long-term orientation:

Worldviews concerning long-term orientation that PDOs are likely to share include:

a) short-term gains are being focused on at the expense of long-term wellbeing. High levels of current wellbeing for some are at the expense of future wellbeing. Organisations routinely decide to financially profit now and push the consequences of this onto the future (as well as onto others);

b) degradation of social and environmental systems has reached a point where they might never recover, and this has a profound impact on the long-term projection for wellbeing as well as affecting wellbeing presently. Hence securing wellbeing for the long term requires urgent action now;

c) to enhance wellbeing of all people and planet in the long term might require sacrificing some aspects of current wellbeing, for some people. However, with innovative thinking that breaks free of old norms and redesigning how wellbeing is understood and achieved, there is no reason why even higher levels of wellbeing cannot be achieved going forward; and

d) in order that organisations protect and enhance the health of the social and environmental systems, rather than destroying them, it is vital to understand how complex systems operate, the effects of decisions now, and in the long term, and to build this knowledge into short-term decision-making.

PDO worldviews on equality, equity and citizenship

Worldviews concerning equality, equity and citizenship that PDOs are likely to share include:

a) needs fulfilment is unevenly distributed. However there are enough resources, if used in the right way, for everyone to have their needs met and therefore have high levels of wellbeing, but only if organisations are focused strategically on achieving long-term wellbeing for all people and planet, in a way that ensures the health of social and environmental systems, in a wise and ethical manner;

b) people rich in physical or financial resources can be poor in wellbeing with their suite of needs not adequately met. People who are poor in resources are more likely not to be having their range of needs met adequately;

c) wellbeing should be achievable for everyone in the long term. Achieving high levels of wellbeing for select groups of people, while the wellbeing of others lags far behind, is not sustainable and is to be actively avoided;

d) the fundamental value of equality must be front of mind if the problems of long-term wellbeing are to be solved in a way that doesn't create a worse life for many who live now, as well as those yet to be born;

e) there are high levels of inequality globally and this continues to worsen. The current system that optimises financial income also systematically concentrates this income for the benefit of an affluent minority;

f) influenced by a historical context, many parts of society have reduced opportunities and access to wellbeing, and it is important that innovation to solve problems of long-term wellbeing includes rectifying these inequity issues;

g) all members of society should be able to influence important decisions about long-term wellbeing for all people and planet. Those with more influence should demonstrate that they are acting on behalf of the long-term wellbeing of all people and planet and not just their own interests; and

h) strong leadership is needed to solve environmental threats to wellbeing without exacerbating wellbeing inequalities, inequities and undemocratic influence.

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