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MANAGING ORGANIZATIONAL CULTURE BY MANAGING THE REWARD SYSTEM

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March 1994

Paper presented at the conference on "Managing Corporate Cultures," University of Pittsburgh, October 24-27, 1984. Also to be published in R.H. Kilmann, M.J. Saxton and R. Serpa (Eds.), *Managing Corporate Cultures* (San Francisco: Jossey-Bass, 1985)

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ABSTRACT

Management of culture is becoming a key challenge for the leadership in an increasing number of organizations. However, most prescriptions for managing culture are too general and too complex. In this paper we argue that for managing organizational culture a concrete and powerful lever, which also is readily amenable to managerial control, is the organizational reward system. We discuss the closely interdependent nature of cultures and reward systems in organizations, and on this basis we explain how reward systems influence cultures. As a framework of orientation for managerial action, a four-fold typology of organizational cultures is then presented, and the patterns of reward systems compatible with each of these cultures are described. We then provide illustrations of reward system changes accompanying the culture change efforts in some major corporations. Finally, guidelines for managerial action are offered.

MANAGING ORGANIZATIONAL CULTURE BY MANAGING THE REWARD SYSTEM

> "Everyone knows that if the results aren't there, you had better have your resume up to date."
> A former PepsiCo manager

> "Some workers expect us to be papa and mama, and aren't motivated enough to help themselves."
> A J. C. Penney manager

The above two quotations taken from a Business Week (1980) cover article entitled "Corporate Culture" are suggestive of two very different types of corporate cultures prevailing at PepsiCo and J.C. Penney. The article describes the cultures of these two companies in some detail, and draws our attention to the fact that in these companies, as also in a host of others, a key managerial challenge is changing the culture. To become a successful challenger to Coke, Pepsi had to systematically change the emphasis of its culture from passivity to aggressiveness. Similarly, Penney will have to overcome the limitations of its paternalistic culture if it is to prevent loss of market share to more aggressive discounters such as K mart Corp. These examples are representative of an increasing number of organizations experiencing the powerful impact of one or more of the following factors that provide major impetus for culture change:

- Changes in business strategy
- Changes in core technology
- Changes in regulatory environment
- Acquisition or merger led adjustments
- New leadership vision

Observing the widespread efforts of major corporations to change their cultures in response to such forces, a <u>Fortune</u> analyst recently exclaimed "U.S. business is in the throes of a cultural revolution" (Uttal, 1983). Thus, a very important question is: How does one change organizational culture? Or more generally, how does one <u>manage</u> organizational culture--that is, create and sustain a desirable culture, and change the culture when it becomes dysfunctional?

In day-to-day organization life a very concrete and powerful lever for managing culture is the organizational reward system. Reward system can be effectively used as a means of influencing culture because the culture and the reward system of an organization are highly interdependent. For example, the two quotations cited at the beginning of this paper are suggestive not only of different types of cultures, but also of different types of reward systems. At PepsiCo, rewards are highly contingent on performance and failure results in punishment. In contrast, at J.C. Penney, poor performers are likely to be treated with consideration and given easier jobs.

In this paper we first explain the nature and extent of interdependence between the culture and the reward system of an organization. We then argue that because culture and reward system have to remain in state of dynamic balance, mutually compatible or congruent cultures and reward systems form distinctive patterns in organizations. Because such patterns would become easier to interpret and manage if they are meaningfully classified, we offer a simple, four-fold typology of congruent patterns of cultures and reward systems. Finally, we examine the ways in which reward systems can be used for managing cultures.

The primary focus of our arguments is on cultures and reward systrems of managerial groups in large business organizations, but the arguments easily can be extended to other employee groups and to other types of organizations.

THE CORE CONCEPTS

For a systematic discussion of the intricate relationship between organizational culture and reward systems, it will be helpful to begin by defining these terms. However, there is nothing absolute or rigid about the definitions offered below; our purpose here is only to clarify the meaning and the scope of these terms in the present discussion.

Organizational Culture

Peters and Waterman (1982:75) regard culture as representing the shared values of an organization's members. Kilmann (1982) calls culture "the collective will of members" and argues that it indicates "what the corporation really wants or what really counts in order to get ahead" in the corporation. Schein (1983) refers to culture as "the sum total of the collective or shared learnings of a group." Schwartz and Davis (1981) regard culture as "a pattern of beliefs and expectations shared by the organization's members," which produces "norms that powerfully shape the behavior of individuals and groups in the organization." Finally, Tunstall (1983) describes culture as "a general constellation of beliefs, mores, customs, value systems, behavioral norms, and ways of doing business that are unique to each corporation." Consistent with these various formulations, we define organizational culture as the shared and relatively enduring pattern of basic values, beliefs, and assumptions in an organization.

Organizational Reward System

The term reward system is frequently used to describe singly or jointly the following interrelated elements: a) the types of rewards that are available in an organization, b) the conditions according to which different rewards are made available to individual members, and c) the ways in which these rewards and the criteria for their allocation are selected and administered in the given organization (see, for example, S. Kerr, 1982; J. Kerr, 1983; Lawler, 1984). In the present discussion the term reward system is used to refer to <u>the rewards available in an organization and the criteria according to which members can qualify to receive these rewards</u>.

Most organizations usually offer a varying mix of four kinds of rewards--financial, job content, career and status. Some of the specific rewards that represent each of these four kinds are listed in Table 1. In considering the rewards available, also of importance are some basic attributes of the rewards, such as their being superior or inferior, frequent or infrequent, large or small, and optional or standard. Examples of the particular rewards for which these attributes are likely to be relevant are presented in Table 1.

Insert Table 1 about here

Criteria for the rewards indicate the basis on which rewards are offered or withheld in the organization. Usually three types of criteria govern such decisions in organizations: performance in terms of tangible output or results, performance in terms of actions and behaviors that are expected to be directly or indirectly instrumental in bringing about organizationally desirable outcomes, and considerations of contractual obligations or customary practices. How these criteria are often defined in practice is indicated in Table 1.

Having clarified the key elements in the terms "organizational culture" and "reward system," we will now describe their interdependent nature in organizational settings.

THE CULTURE-REWARD SYSTEM RELATIONSHIP [1]

As we have argued elsewhere (Sethia & Von Glinow, 1984), cultures and reward systems in organizations exhibit close interdependence that arises from a set of relationships portrayed in Figure 1, which suggests that:

(1) An organization's culture can influence its reward system (a) directly, or (b) via a mediating human resource philosophy; and reciprocally,

(2) The organization's reward system influences its culture (a) directly, or (b) via the quality of human resources in the organization--that is, the caliber of people in the organization.

The manner in which these relationships operate is explained below.

Insert Figure 1 about here

Influence of Culture on the Reward System

Since an organization's culture relates to the basic values, beliefs and assumptions of its members, it necessarily influences the type and the qualities of rewards that are available in the organization as well as the conditions according to which the rewards are allocated to individuals. Often, this influence is quite direct. In the ruthlessly performance-oriented culture of PepsiCo, in the words of a former vice-president, "Careers ride on tenths of a market share point," (Business Week, 1980). By contrast, in what was until recently a decidedly more easy-going culture, at United Press International Inc.

jobs were usually for the life-time, and according to a company manager, "You had to shoot the president to get fired" (Business Week, 1983b). Another example is Texas Instruments, whose autocratic and intense culture has come to mean "management-by-fear" for many managers who believe that they are more likely to be rewarded if they tell their bosses what they [the bosses] may want to hear, than if they speak their own minds (Uttal, 1982).

Culture also can influence the reward system indirectly by contributing to the organization's human resource philosophy. Companies like IBM, AT&T and Hewlett-Packard have well articulated human resource philosophies, and these have a major impact on the reward systems of these companies. A very useful example for illustrative purposes is Analog Devices--a medium sized high-tech company, whose corporate culture has been examined in great detail by Davis (1984). According to Davis, a key element in this company's credo is its beliefs about people:

> They believe that people are honest and trustworthy, are most satisfied when working to their fullest potential, and perform best when they feel a sense of purpose. They believe people want a say in how their jobs are done, want to be accountable, and want recognition...(p.106)

These beliefs are translated into policies that include: "above average wages and benefits; profit sharing, stock and bonus plans; equal opportunity, job security; promotion from within; and dual (technical and managerial) career ladders" (Davis, 1984: 106).

A specific aspect of the human resource philosophy that is relevant to many organizations is egalitarianism vs. hierarchy-consciousness--which gets reflected in the absence or presence of various status-oriented rewards such as reserved parking areas, exclusive wash rooms and dining areas, choice locations of offices, etc. High-tech companies like Digital, Tandem and Intel tend to be quite egalitarian, while companies such as GM and AT&T traditionally have been very hierarchy-conscious.

Influence of Reward System in the Culture

An organizations reward system influences its culture directly by selectively reinforcing certain beliefs and values. Such influence of reward systems has been explained by Lawler (1983), who observes: "The behaviors they [the reward systems] cause to occur become the dominant patterns of behavior in the organization and lead to perceptions and beliefs about what an organization stands for, believes in, and values." The appropriateness of this reasoning is seen in the following examples. Until recently, Chase Manhattan Bank was not a particularly performance-driven organization; it used to be a gentlemanly company that "rewarded people more for appearance than performance," and that resulted in "inbreeding and a smugness that made the bank loathe to grapple with competitors" (Business Week, 1980). By contrast, companies like Emerson Electric and PepsiCo have fostered strong performance-oriented cultures by making significant rewards contingent on the results achieved.

Reward systems indirectly influence cultures by affecting the quality of human resources in organizations. Reward systems greatly determine the type of people organizations are able to attract and retain (see, for example, Lawler, 1983; Von Glinow, 1985). An organization that offers superior rewards by market standards and provides significant incentives for high performance can attract and retain individuals who have the best qualifications and strong achievement orientation. Such individuals then can set the pace for others in the organization, and thereby contribute toward creating an inspiring and productive culture in the organization. On the other hand, an organization that offers relatively inferior rewards and has few incentives tied to performance is likely to attract people with lesser talents. Moreover, its members are likely to exhibit low levels of commitment and motivation, making for an uninspiring and unproductive culture. Companies like IBM and Hewlett-Packard deliberately offer higher than market place salaries which enable them to attract people with superior qualifications. Moreover, the reward systems of these companies make them attractive places to work for people who are strongly self-motivated and who look for high levels of challenge and excitement. On the other hand, AT&T traditionally had attracted people who preferred secure and stable careers over the pressure-filled life characterizing highly dynamic and strongly competitive organizations.

From the above discussion it can be seen that cultures and reward systems of organizations are strongly interdependent and will have a tendency to alter each other until they reach a state of mutual balance. This perspective is the basis of our argument that reward system can be an effective means of managing culture. However, unless there is some systematic understanding of the specific cultures and specific reward systems that are compatible with each other, a sound basis for managerial action would be lacking. Such understanding can be developed if the patterns of mutually congruent cultures and reward systems can be meaningfully classified. For this purpose, a potentially useful and parsimonious scheme for classifying cultures and their related reward systems is proposed below.

A TYPOLOGY OF CULTURES AND REWARD SYSTEMS: A FRAMEWORK OF ORIENTATION FOR MANAGERIAL ACTION

The major underpinnings of an organization's culture are provided by its human resource orientation. Therefore, useful insights for differentiating and classifying cultures of different organizations can be obtained by examining their human resource orientations. Two basic criteria that define an organization's human resource orientation are the level of concern for people and the level of concern for people's performance in the organization. Concern for people refers to the organization's commitment to the well being of its members, and respect for their dignity. Concern for performance refers to the organization's expectation that its members give their best on their jobs, and make full use of their talents. Low or high level of concern for people in conjunction with low or high level of concern for performance suggests four generic types of organizational cultures that are grounded in differing human resource orientations of organizations. These four cultures, as depicted in Figure 2, are: the Apathetic culture, the Caring culture, the Exacting culture, and the Integrative culture. The essence of these cultures is as follows.

Insert Figure 2 About Here

The Apathetic Culture represents lack of concern about people and indifference to their performance.

The Caring Culture reflects high concern for people, but relatively undemanding performance expectations.

The Exacting Culture shows little sensitivity to people, but is extremely demanding in performance expectations.

The Integrative Culture exhibits high concern for people combined with strong performance expectations from them.

Each of these cultures is compatible only with specific types of reward systems. These cultures and their matching set of reward systems are described below.

The Apathetic Culture

Lack of concern for people and indifference to their performance together symbolize the Apathetic culture. This culture reflects the general state of demoralization and cynicism that permeates organizations with inept or alienated leadership. The long-term viability of such organization would be problematic, but they may continue to survive because of their entrenched position, momentum due to size, or protected environment.

One example of the Apathetic culture is the pathetic situation that prevailed until just a few years ago at RCA Corporation. According to a recent Business Week (1984a) cover article on the company, for many years the company's history was of "Byzantine cabals, factions, and schisms," and during this time, "talk of who was up and who was down occupied the troops far more than the company's business." Maximum rewards at that time appeared to have accrued to some individuals who were merely getting hired and fired at the company--Edgar H. Griffiths, who was chairman of the company from 1975 to 1981, "hired and publicly fired top aides, compensating them handsomely both coming in and going out" (Business Week, 1984a). This denigration of people and neglect of performance for many years sapped the vitality of this company which was once the pioneer of radio and television. Another example of the Apathetic culture is from the troubled times during the late 1970's at the First National Bank of Chicago, the tenth largest bank in the U.S. As observed by Davis (1984: 22), during this period the atmosphere inside the bank was of growing "mistrust and contentiousness [combined] with uncertainty and confusion," and "people lost confidence in both the institution and the leadership." Further, Davis notes, "There was a strong belief that favoritism ruled, that success was not rewarded, and that risk-taking was penalized. From top to bottom workers lost their enthusiasm and disregarded any performance orientation" (1984: 22).

The workings of organizations with the Apathetic culture, as seen from the above examples, are frequently governed more by vested interests or political expediencies than by the concerns of efficiency or effectiveness. In such organizations financial rewards usually are poor to average, though in some particular cases they also can be generous to the extent of being irresponsible. Job content rewards are the hardest to find in this culture. As for career rewards, job security is low, growth opportunities are limited, and promotions exhibit unpredictability. Status rewards here have high visibility, but they are likely to be limited to the privileged few.

Turning to the criteria for rewards, by definition performance is not an important one among them, and most rewards are likely to be based on contractual obligations - or on patronage. However, some clever individuals can use their personal accomplishments - which usually are more illusory than real - as bargaining chips. Relatedly, actions and behaviors that get rewarded in this culture are often of dysfunctional variety: playing politics, manipulating rules and policies, "managing" impressions, and so on.

The Caring Culture

An organization with this culture carefully looks after the well being of its members, but does not impose very high standards of performance on them. The traditional cultures of companies like J.C. Penney, Corning Glass, AT&T and Bank of America are representative of this type. This culture is usually the expression of a paternalistic philosophy of the organization's founder(s) or key leaders. As long as the competitive environment is not very threatening, organizations with this culture function quite smoothly because of people's ready compliance with guidance from the top; and they can survive, and even prosper at times, due to the loyalty and steadfastness of their people.

In this culture financial rewards are average by market standards, but the career rewards are usually very good -- job security is high, training and development programs are good without being high-pressured, and promotions, even if infrequent, are mostly from within. Status rewards also are relatively high in this culture. Job content rewards are average to poor here - most people do not enjoy a high degree of freedom, have limited responsibilities, and are not "burdened" with challenging or difficult tasks.

Conditions for rewards in the Caring culture are not strongly performance-related, although it is expected that people make reasonable effort in their day-to-day work. Certain types of actions and behaviors; such as teamwork, cooperation, conformity, and receptivity to guidance from superiors, can influence an individual's rewards -- if only to a small extent. A rather dramatic example here is from J. C. Penney, where "a store manager once was severely rebuked by the company's president for making too much profit. That was considered unfair to the customers, whose trust Penney seeks to win" (Business Week, 1980). Major determinants of rewards in this culture often are considerations unrelated to performance. Many of the rewards are available simply on the basis of membership, while other rewards are governed mainly by tenure and position in the organization's hierarchy. For example, the traditional personnel policies of Bank of America have been compared to the civil service, and as one corporate lending officer of the bank observed recently, "everybody at a certain grade could expect about the same salary and the same increase" (quoted in Zonana, 1984).

The Exacting Culture

This is the culture of "performance-driven" or "success-oriented" companies where performance is what counts and individuals are, at times, expendable. Some likely candidates for this category are PepsiCo, Texas Instruments, and ITT during the reign of Harold Geneen. Other possibilities are Emerson Electric--where nothing is more sacred than the bottom line (Business Week, 1983a); and Intel--where, according to a former executive, "there are no sissies" (quoted in Levering et al., 1984:154). Such organizations compete aggressively in the market place and "survival of the fittest" is the name of the game for them.

In this culture, financial rewards usually are very good, but mainly due to bonuses and other performance based incentives, and therefore, they can have high degree of variability. At Emerson Electric, for example, "Superachievers are rewarded handsomely. Divisional managers can increase their annual compensation up to 81% by exceeding preset goals" (Business Week, 1983a). Job content rewards--challenge and responsibility--are high in this culture. Status rewards could vary from organization to organization, but they are not considered particularly important here. Career rewards tend to be the least attractive in this culture--job security is heavily dependent on performance, and the impatience about results mitigates against any meaningful development opportunities, which in turn leads to high "burn-out" rate.

Availability of rewards in this culture is highly contingent on the tangible outcomes of one's efforts. Moreover, usually it is the short-term competitive success of the individual that counts. At Texas Instruments, President J. Fred Bucy is "never far from a computer rating of the performance of each of his operating managers" (Uttal, 1982). As for the actions and behaviors valued, the Exacting culture at times provides mixed signals. While risk-taking and creativity are supposedly important here, they can be discouraged due to the penalties of failure. On the other hand, many dysfunctional activities like hoarding resources, withholding information, or being insensitive to the needs of others often are rewarded because they can lead to short-term competitive success. Finally, among the non-performance criteria the nature of the work and the relative ease or difficulty of replacing people are the type of factors likely to be given consideration here.

The Integrative Culture

In this last culture category, high concern for people is matched with strong performance expectations, and these two aspects of the culture tend to reinforce one another. This culture is likely to measure up to Peter Drucker's definition of the organization's responsibility toward its people, expressed by him as follows: "People are weak.... People cause problems.... And people are a cost and a potential 'threat.' But these are not the reasons why people are employed. The reason is their strength and their capacity to perform.

And...[t]he purpose of an organization is to make the strengths of people productive and their weaknesses irrelevant" (Drucker, 1974:307). The Productive culture similarly values people and it brings out their best by challenging them meaningfully. Some of the widely noted embodiments of this culture are IBM, Hewlett-Packard, 3M, and Tandem Computers. Another example is Lincoln Electric Co., as described by Martin (1985) in this book. The concern for people in this culture is not of the paternalistic variety as in the Caring culture, but is characterized by a genuine respect for the dignity of people. This in turn shapes the expectations from people: They are considered capable of making significant contributions to the performance of the organization, and therefore they are expected to do so.

In this culture, financial rewards are usually superior by market standards, because organizations with this culture are serious about attracting and retaining talented people. IBM and Hewlett-Packard, for example, consciously maintain pay levels higher than the market. Job content and career rewards also are very high in this culture. Companies with this culture offer their members challenging jobs, considerable freedom, significant responsibilities, and generous recognition. They also emphasize job security, maintain high quality training and development programs, and mostly promote from within. Hewlett-Packard, an example of this culture, is widely admired for its "ability to recruit the best talent from the best engineering schools and to move young engineers quickly into significant jobs in an informal environment". (Business Week, 1982). In fact, sense of fulfillment from meaningful and challenging work is one of the more important rewards in this culture. Earlier, we had referred to the case of Analog Devices;

it also falls into the Integrative culture category, and as Davis describes the situation in this company, "...Analog's guiding beliefs about people focus on allowing them to be all they can be, more than on the organizational rewards for being so. People sign up for the trip, not because of the money" (1984: 108). The remaining type of common rewards--the status oriented variety--are usually downplayed in the Integrative culture because the general tendency here is for egalitarianism and informality (from the organizations mentioned above as examples IBM is an exception to some extent in this respect).

Because performance is a core value in this culture, significant rewards are contingent on performance here. But unlike the Exacting culture, emphasis in this culture usually is more on group or company success than on individual success. Moreover, performance is not viewed solely in terms of the current bottom line, but long-term implications are also taken into consideration. Actions and behaviors that are valued here include self-management, cooperation, risk-taking, innovation, experimentation and skill-building. Non-performance criteria taken into consideration in this culture pertain to issues such as internal and external equity, and the individual's potential.

Patterns of rewards systems generally consistent with each of the above four cultures are summarized in Table 2.

Insert Table 2 about here

A Framework of Orientation for Managerial Action

The above typology of cultures represents generic categories. Therefore, we do not, and cannot, expect that it will be an easy task to place all organizations into any single category exclusively. Nor do we expect that a particular category will convey "everything" about an organization that might be placed in it. However, we do believe that most organizations can be meaningfully characterized with relative ease as being closer to a particular cultural type than the rest. Hence the present typology can serve a useful function as a basic framework to orient managerial actions for shaping cultures.

Another point to be born in mind is that the typology is not meant to recommend a "best" culture. As Gordon (1985) observes elsewhere in this book, there is no one "winning culture." "Rather," he clarifies, "factors such as the characteristics of the industry, its market place, its diversity, size and market position define the broad outlines of an appropriate culture." For illustrative purposes, by further drawing up Gordon's analysis, it is possible to advance following arguments. For monopolistic, protected utilities or other similar organizations, the Caring culture with its emphasis on security and long-term stability might be more appropriate, while for dynamic market place companies engaged in free-wheeling competition the Exacting culture with its short-term incentives and high-risk compensation is likely to be more appropriate. Thus, definition of "best" culture is dictated more by realism than idealism. The utility of present typology, therefore, once again rests mainly in being a convenient frame of reference for managerial analysis and action. Analysis and action for managing cultures is the theme addressed in the final section of this paper that follows.

GUIDELINES FOR MANAGERIAL ACTION

In our introductory remarks we had noted that today an increasing number of organizations are finding it necessary to modify their cultures in order to prosper and, in some cases, just to survive. Whenever efforts are made to strengthen or alter an organization's culture, accompanying changes in the organization's reward system usually become critically important. Experiences of many organizations readily support this argument.

Cultural Adaptation and Reward System Change

Some of the more illuminating cases where cultures are being materially reshaped are: AT&T (Business Week, 1980; Tunstall, 1983), Bank of America (Fierman, 1983; Zonana, 1984), Chase Manhattan Bank (Business Week, 1980, Fierman, 1983), and the Marine Midland Bank (Louis, 1982). It would appear that AT&T, Bank of America and Chase Manhattan Bank generally have been striving to shift from the Caring pattern to the Integrative pattern. To accomplish the hoped-for changes in cultures these organizations are making appropriate changes in their reward systems. They are changing the rewards offered as well as the criteria for rewards. There are bound to be considerable differences in the specific steps each organization is taking, but there are some common trends in their efforts. We find that they are offering more attractive compensation, enhancing job content rewards by creating more challenge and more responsibility in the managerial jobs, improving career rewards by providing more opportunities for growth and development, and to some extent reducing status differentiation. Further, these organizations are making rewards more contingent on performance, addressing the issues of equity and of potential worth of their people, and encouraging risk-taking, initiative and innovation.

Another kind of cultural transition is discernible in the case of Marine Midland Bank, which ranks 14th nationwide in assets. From an analysis of its corporate culture offered by Louis (1982) it would appear that Marine's culture was close to the Apathetic pattern through most of the 1970's, but lately efforts have been underway to change its culture, and in our view the "New Marine" is likely to resemble the Exacting cultural pattern. Marine had not shown particularly high concern for its people in the past, and even today its sensitivity to the human element seems limited. However, as Marine pursues an ambitious program to change its culture--or "style"--it is becoming significantly more performance oriented than before. Several changes in the reward system that correspond to Marine's new cultural emphasis are already evident. As Louis (1982) points out, in the past the bank had been "relatively tight fisted even in the best of times"; but now "both salaries and fringe benefits are being sharply boosted," and a broad variety of new incentive programs are being created. Job content rewards also have improved at the bank--specific goals and achievement targets are being defined and decision making power is more widely shared. As to the criteria for rewards, "Marine is trying to relate compensation directly to performance, something it had hardly tried before" (Louis, 1982). Correspondingly, great emphasis is now being placed on productivity and assertiveness.

Guidelines for Action: Managing Culture of Organization "O"

Guidelines for managerial action that follow from the above discussion can be spelled out by using the case of a hypothetical organization "O" as illustration. The approach we recommend involves a "diagnosis" phase and an "action" phase as follows.

Diagnosis Phase

STEP 1: Identify the current culture of "O" using the cultural typology described above.

STEP 2: Ascertain if the current culture of "O" is desirable and viable

STEP 3: Ascertain, by referring to Table 2, if the culture and the reward system of "O" are mutually compatible.

Action Phase

ALTERNATIVE 1: If the culture of "O" is desirable and viable, and is adequately supported by the current reward system, then no particular action is necessary at present in this sphere.

ALTERNATIVE 2: If the culture of "O" is considered undesirable or unviable, then efforts to change the culture will have to be initiated. For this, first the typology presented in this paper could be used as a general framework for reference to select the type of culture desired, and then the reward system could be selectively redesigned following Table 2 to support the culture change objectives.

ALTERNATIVE 3: If the culture of "O" is viewed as desirable and viable, but the reward system is not found to be fully consistent with the culture, then it will be necessary to redesign the reward system. In this case, Table 2 provides a broad overview of the types of changes that might have to be made in the reward system so that it provides proper support for the culture.

To sum up, we have argued that managerial efforts at creating, strengthening or changing culture will have a high probability of success only if such efforts are accompanied by parallel efforts to design (or redesign) the organizational reward system for cultural compatibility. The reason for this is that if the reward system is in harmony with the culture, it will reinforce and invigorate the culture, but if it is inconsistent with the culture then it will undermine and stultify the culture. In this paper we have described a framework of four types of cultures and their matching reward systems. Using this framework managers can diagnose the current situation in their organizations and take appropriate actions with respect to reward systems to ensure the vitality of cultures in their organizations.

NOTE

1. The discussion in this section is based on arguments that we have developed in greater detail in another paper (Sethia & Von Glinow, 1984).

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Table 1

ELEMENTS OF A REWARD SYSTEM

1. REWARDS AND THEIR ATTRIBUTES

a. Kinds of Rewards Available

Financial	:	Salary, increments, bonus, stock options, profit-sharing, various benefits, etc.
Job Content	:	Challenge, responsibility, freedom, meaning, feedback, recognition, etc.
Career	:	Job security, training and development programs, promotion opportunities, etc.
Status	:	Special facilities and privileges, titles, committee memberships, etc.

b. Attributes of the Rewards Available

Superior or Inferior	:	salary, benefits, training
Frequent or Infrequent	:	increments, promotion, feedback
Large or Small	:	bonus, increment, benefits
Optional or Standard	:	benefits, privileges, training

2. CRITERIA FOR REWARDS

a. Performance- Tangible Outcomes or Results

Performer	:	individual, group, organization
Performance	:	quantity, quality, timeliness
Perspective	:	day-to-day, short-term, long-term

b. Performance- Instrumental Actions or Behaviors

SUCH AS: cooperation - competition; risk-taking-playing-it-safe; initiative - conformity; innovation - compliance; helping - hindering; communication - secrecy.

c. Non-Performance: Considerations of Contract or Custom

SUCH AS: membership, nature of work, external equity, internal equity, tenure, hierarchical position, ease of replacement, terms of employment, contractual obligation.

FIGURE 1

CULTURE - REWARD SYSTEM RELATIONSHIP

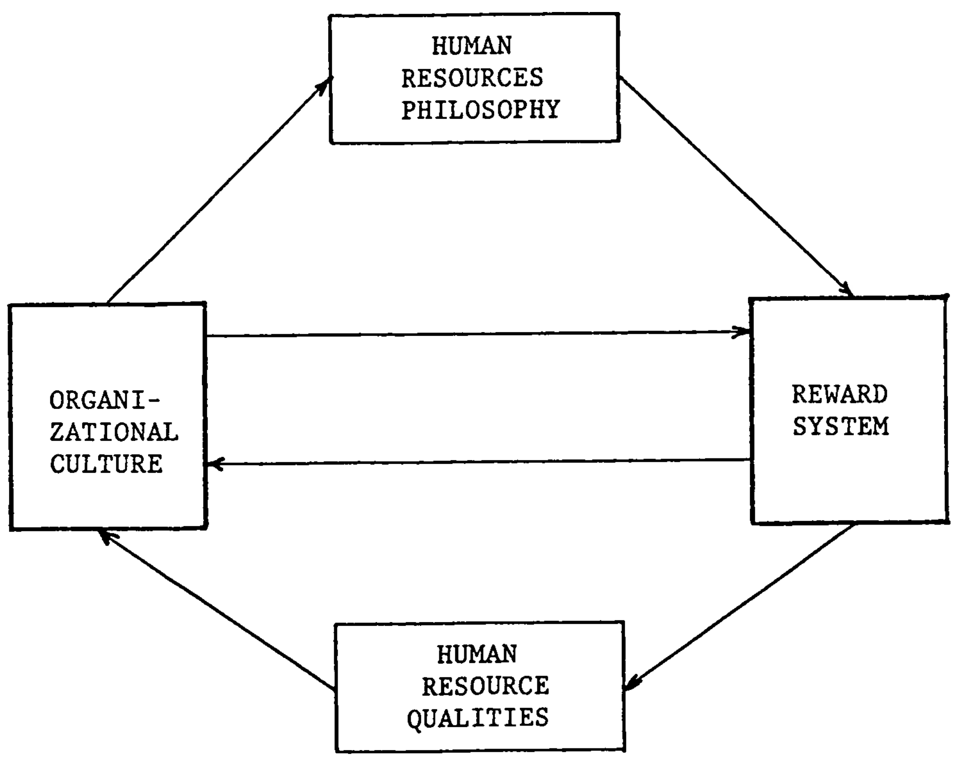

FIGURE 2

A FRAMEWORK OF HUMAN RESOURCE CULTURES

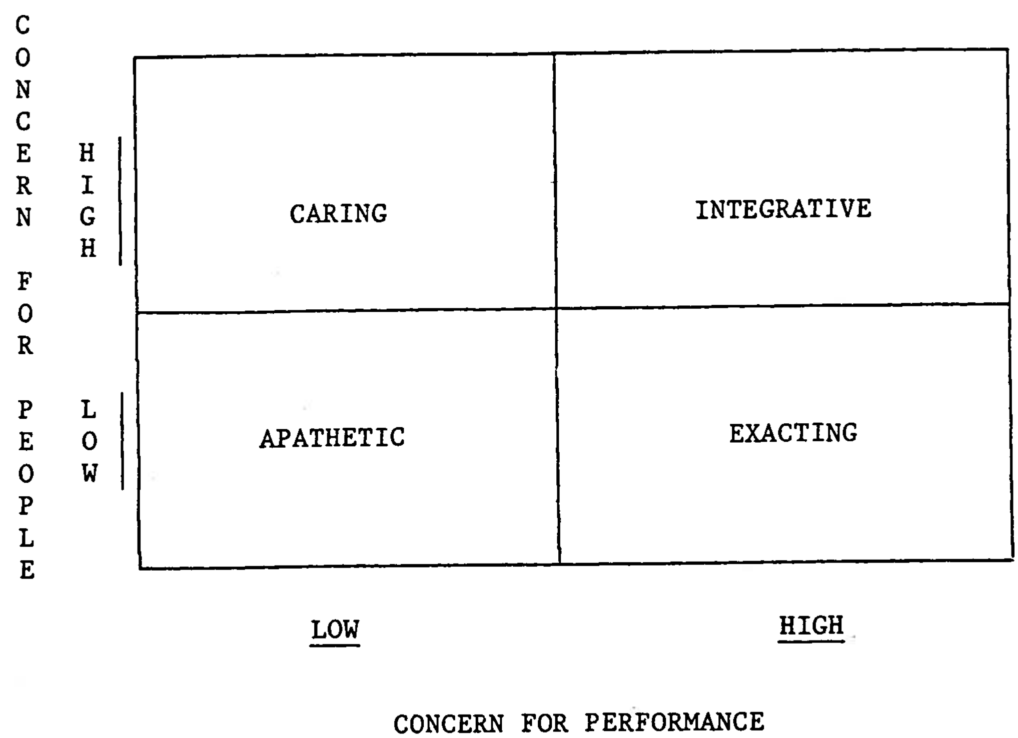

Table 2

SUMMARY OF REWARD SYSTEMS IN FOUR CULTURES

REWARD SYSTEM DIMENSIONS	HUMAN RESOURCE CULTURES			
	Apathetic	Caring	Exacting	Integrative
I. Kinds of Rewards				
FINANCIAL REWARDS	Poor	Average	Variable	Superior
JOB CONTENT REWARDS	Poor	Average	Good	Superior
CAREER REWARDS	Poor	Good	Average	Superior
STATUS DIFFERENTIATION	High	High	Moderate	Low
II. Criteria for Rewards (Examples)				
PERFORMANCE: RESULTS	Individual Success	(Reasonable Effort)	Individual Success	Group/Company Success
	Illusory	Day-to-day	Short-term	Long-term
PERFORMANCE: ACTIONS & BEHAVIORS	Manipulation	Compliance	Efficiency	Innovation
	Politicking	Cooperation	Competition	Independence
NON-PERFORMANCE CONSIDERATIONS	Contract	Membership	Nature of Work	Equity
	Patronage	Position	Replaceability	Potential