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Toward a Theory of Organizational Cultural Evolution

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This article proposes a theoretical framework for elucidating how organizational culture evolves as an organization goes through its life cycle. This framework reveals that as the organization goes through its life stages of start-up, growth, maturity, and revival, organizational culture evolves through corresponding mechanisms of inspiration, implantation, negotiation, and transformation. This framework contributes to the literature on the dynamic view of culture. This article suggests that human resource development professionals need to be perceptive of the life stages of their organizations and intentionally leverage different cultural mechanisms to respond to critical organizational needs.

Keywords: *organizational culture; cultural evolution; organizational life cycle*

Organizational culture is a central concept in human resource development (HRD) research. With the emergence of the social constructionist view against the rationalist theories of the organization in the 1960s, the attention on formal control systems in the organization has been shifted to the informal control system of which organizational culture is the soul (Petersen & Dobbin, 2006). Organizational culture, the informal, nonmaterial, interpersonal, and moral bases of cooperation and commitment has acquired an increasingly higher status than the formal, material, and instrumental controls stressed by the scientific management theorists (Baker, 2002). Culture provides organizational

members a shared understanding of organizational values and beliefs that is necessary when rules and regulations fail to coordinate behavior (Slater & Narver, 1995).

Despite division in its conceptualization, organizational culture has been deemed as a key research construct and a key area of managerial practice because of its demonstrated contribution to organizational effectiveness (Deal & Kennedy, 1982; Denison, 1990; Ouchi & Jaeger, 1977; Peters & Waterman, 1982). Studies of the linkage between organizational culture and organizational effectiveness have expanded exponentially. Multiple theories have been established to explain how organizational culture influences organizational performance, such as Ouchi and Jaeger's (1977) Theory Z, Deal and Kennedy's (1982), and Peters and Waterman's (1982) strong culture, Cameron and Quinn's (1999) four cultural types: hierarchy, clan, market, and adhocracy, and Denison and his colleagues' (Denison, 1990; Denison & Mishra, 1995; Denison & Neale, 1996; Fey & Denison, 2003) four functional dimensions of organizational culture: adaptability, consistency, involvement, and mission that are positively related to organizational effectiveness across different national cultures.

The proliferation of cultural studies has led to the consensus on the importance of culture to organizational success, but a host of questions remain. Two major inadequacies in the literature motivated the present work. First, existing studies have not established adequate understanding of how culture evolves through the life cycle of an organization. Most studies hold a static view of culture. These studies focus on taking stock of cultural traits in an organization at particular times, providing snapshots rather than an organic account of how organizational culture develops and evolves. Although the static view provides substantial explanation of the traits of an organizational culture, culture was examined in isolation from the organizational history and the external environment which have a fundamental bearing on culture. Static snapshots of the organization could lead to incomplete or even biased views of organizational culture, because findings generated from the start-up stage of an organization may be drastically different from those generated from the mature stage of an organization. A dynamic view of culture that focuses on change and evolution has been inadequately explored (Hatch, 1993). Little is known about how culture changes over time and what drives the process (Rodriguez, 2006).

Second, existing literature on the dynamic view of culture involves disconnects between the micro view of culture and the macro view of culture. The micro view of culture examines the interactions of the components of culture, such as Hatch (1993). Hatch elucidates the components that make up culture as well as their interactions. However, what drives the interactions of the components is not explored. On the other hand, the macro view investigates how organizational needs influence organizational culture (e.g., Schein, 1985; Weeks & Galunic, 2003). The environment constantly influences the organization through the distribution of power and resources (Pfeffer &

Salancik, 1978). Such environmental influences on the organization are at the same time transmitted to organizational culture. Schein (1985) and Weeks and Galunic (2003) focus on how the evolution of the organization influences organizational culture. However, neither paper specifies how critical organizational needs correspond with specific cultural mechanisms at each organizational stage. There is a prominent literature gap between the micro and macro views of culture. The interactions of the components of culture that are captured by the micro view and the organizational influences on culture that are captured by the macro view need to be bridged. This article attempts to bridge the gap between these two views by proposing an evolutionary perspective of organizational culture.

Purpose

The purpose of this article is to propose a theoretical framework for elucidating the evolution of cultural mechanisms through an organization's life stages. More specifically, this article intends to draw a link between critical organizational needs and corresponding cultural mechanisms at each stage of the organization's life cycle.

Significance

The present work carries potential contribution to literature in several ways. First, this article intends to add insights into the dynamic view of culture. Change has become a constant in today's world. Weeks and Galunic (2003) perceive organizational culture as a dynamic system in a natural state of movement. Within this dynamic system, there is continued shuffle, selection, variation, and retention of cultural elements that are shaped by how the organization adapts to its environment (Weeks & Galunic, 2003). Examining how culture evolves could shed new light on questions, such as the nature of culture, its composition, and its relationship with the development of the organization and the external environment.

Second, by linking the interactions of cultural components with critical organizational needs, this article can bridge the micro view of culture and the macro view of culture. This article will propose a framework that links the inner workings of organizational culture and how the inner workings are driven by organizational developmental needs.

Third, an additional benefit of the present work would be to bring new light on the inconsistent conceptualizations of culture as integrated, differentiated, or fragmented. Martin (2002) integrates literature on organizational culture and concludes that studies split into three perspectives in viewing organizational culture. Research that holds the integration view focuses on the common values and beliefs shared by organizational members. Studies that hold the differentiation view posit that groups in an organization share cultural values

and beliefs, but different groups have different subcultures. The fragmentation view assumes that organizational members' cultural interpretations do not coalesce into shared values and beliefs. This article examines cultural mechanisms through the life stages of the organization, which would explore the salience of each of the three perspectives over different life stages of an organization.

On a practical note, understanding the process of cultural evolution would help managers and HRD professionals on several fronts. First, it can help them diagnose the cultural needs of an organization at its particular developmental stage. An accurate diagnosis can help them focus energy and investment in building cultural mechanisms that meet the critical organizational needs. Second, the understanding of the evolutionary trajectory of culture could help managers and HRD professionals deploy development-appropriate strategies to facilitate intended cultural changes. It can also help them anticipate cultural needs before the organization reaches the next stage, which could allow them to more proactively plan directions and strategies for the near future. Third, when it comes to large corporations where different lines or businesses are at their different life stages, this model will help managers and HRD professionals discern the needs of each line or business whose developmental needs are at odds with the one big organization to which they belong. Managers and HRD professionals can then customize cultural strategies that both strengthen the synergy of the whole corporation and also attend to the differentiated needs of its components.

Theoretical Background

Organizational Culture

The range of definitions of organizational culture represents the range of assumptions, approaches, purposes, and even paradigms in studying organizational culture. Different terms have been used to capture organizational culture, such as values (Parsons, 1956), networks of meaning (Trice & Beyer, 1984), norms (O'Reilly, 1989), control mechanisms (O'Reilly, 1989), and myths, rituals, and symbols (Schein, 1985). Nevertheless, general consensus has been reached that organizational culture encompasses a composite of shared assumptions, values, behavioral norms, and artifacts that differentiate one group of people from another. Schein (1985) defines culture as

> A pattern of shared basic assumptions that the group has learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to these problems. (p. 12)

Within the organizational culture, subcultures reside. Subcultures refer to a more immediate work context in which "particular values and attitudes get

formed and are routinely reinforced" (Lok, Westwood, & Crawford, 2005). Subcultures provide a common basis for people to identify with one another in a group and they are more focused than the organizational culture (Lok et al., 2005).

Martin (2002) conducted an integrative review of cultural studies and proposed a three pronged typology of cultural studies, which includes integration, differentiation, and fragmentation. Studies under the integration perspective focus on common cultural elements shared by all organizational members and characterized by harmony and homogeneity. Research under the differentiation perspective explores cultural manifestations that have inconsistent interpretations and differentiations among subcultures. The fragmentation perspective reveals the irreconcilable tensions in an organization's culture under which multiplicities of interpretation do not coalesce into the organization-wide consensus. Martin (2002) advocates for using all three perspectives simultaneously in a single study so that a wider range of insights is available. This article takes the three perspectives into consideration while adding a temporal dimension. In other words, although all the three perspectives may be valid and can provide explanations of cultural phenomenon at any given time, one perspective may carry more explanatory power than the others at different stages in an organization's life cycle.

Dynamic Models of Organizational Culture

As mentioned before, there are only a handful of studies that provide a dynamic perspective on organizational culture. Two rough trends could be perceived. One trend adopts a macro view of culture and emphasizes how culture evolves, particularly in relation to the development of the organization and its environment. Schein's (1985) and Week and Galunic's (2003) models are two examples. The other trend takes on a micro view of culture, which focuses on the dynamics of the internal components of organizational culture, such as Hatch's (1993) model of cultural dynamics.

Macro view of culture. The macro perspective of cultural change examines how organizational needs influence organizational culture. An evolution perspective is often taken. Schein (1985) describes a cycle of an organization and how culture change happens. The cycle starts from the time when a new organization is established when leaders make its culture explicit and teach its culture to other organizational members. As the organization transitions to midlife, significant changes happen such as change of leadership, and the culture tends toward differentiation and loss of integration. While major elements of culture are being embedded in the structure and major processes of the organization, leaders take on the task of changing the culture through promoting selected subcultures, adopting new technologies, or inviting outsiders. As the organization matures and heads toward decline, leaders change the

culture through turnarounds (combinations of the change mechanisms mentioned above), mergers and acquisitions, or reorganization.

Also adopting a macro view of culture, Weeks and Galunic (2003) argue that an organization is in a process of selection, variation, and retention of the *memes* (a general term for cultural modes of thought including ideas, beliefs, assumptions, values, interpretive schema, and know-how that prove to be helpful to organizational survival). The memes that withstand the test of time would survive and those that do not fall out over time. Culture thus evolves by adding new memes, shedding old memes, and merging existing memes.

What is missing from the macro view of culture is that the interplay of different cultural components has not been explained at different evolutionary stages of the organization. How do organizational needs translate into cultural mechanisms? The proposed model intends to provide a framework that explains the critical needs of the organization at each evolutionary stage and draw a correspondence between the critical needs and prominent cultural mechanisms at work at each stage.

Micro view of culture. The micro perspective examines the interplay of the components of organizational culture, regardless of organizational or environmental factors. Building on Schein's (1985) three-layer model of culture consisting of assumptions, values, and artifacts, Hatch (1993) built a fourth layer, *symbols*, to Schein 's (1985) three layers. The four components of culture engage in constant interactions through the processes of manifestation, realization, symbolization, and interpretation. For the convenience of discussion, Figure 1 replicates Hatch's (1993) model of cultural dynamics.

In Hatch's (1993) model, manifestation is the process through which intangible cultural assumptions are revealed in recognizable values or reversely, when values retroactively alter or reaffirm assumptions. Proactive manifestation happens when organizational members' assumptions shape their perceptions, thoughts, and feelings about the world and about the organization that comprise their values. On the other hand, retroactive manifestation is the process through which new values either reaffirm existing assumptions or alter assumptions if they are misaligned with assumptions but have proved successful in reality. Realization is the process through which values are transformed into artifacts (social or material reality) or reversely, artifacts retroactively alter or maintain existing values. Proactive realization captures the process through which values are realized through the production of objects, engagement in organizational events, participation in discourse, and importation of objects from other cultures. In the reverse direction, retroactive realization happens when new artifacts align with and reaffirm values held in a culture or challenge established values and foster alternative values. Symbolization refers to the process where artifacts are bestowed symbolic meanings or retroactively symbols are abstracted from artifacts. Proactive symbolization binds an
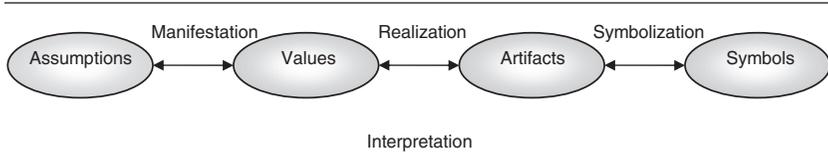
FIGURE 1:   Graphical Representation of Hatch's (1993) Cultural Dynamics Model

artifact with meanings that reach beyond its literal meanings. In retroactive symbolization, symbolic meanings are reaffirmed by existing artifacts or new symbolic meanings are abstracted from artifacts. Interpretation involves the process through which symbols are contextualized by evoked assumptions and the reverse process through which assumptions are retroactively changed through the influence of new symbols. Proactive interpretation encompasses the process through which meanings are transmitted from assumptions to symbols, whereas in retroactive interpretation, symbols maintain or challenge basic assumptions.

Hatch's (1993) model is a landmark in elucidating the intricate mechanisms of culture in its own light. However, whether and how factors outside culture affect the internal interplays of cultural components is ignored. Further effort to investigate how cultural components may be driven by organizational and environmental conditions could deepen the inquiry into the dynamic perspective of culture. This article intends to do that.

Organizational Life Stages

Van de Ven and Poole (1995) introduce four theories to explain organizational change, the life cycle theory, the teleological theory, the dialectical theory, and the evolutionary theory. The life cycle theory, which is used the most to explain organizational changes, proposes that change follows a sequence of progression, from the premature or homogenous to the more mature and differentiated. The teleological theory posits that the organization is purposeful in nature and it proceeds toward a goal or an end state. The organization is in a continuous series of goal formulation, implementation, evaluation, and evolution. The dialectical theory explains stability and change as the balance and imbalance of power between opposing sides. The evolutionary theory perceives change as proceeding through a repetitive cycle of variation, selection, and retention.

We base our framework on the life cycle theory of change. The life cycle theory allows us to break down organizational change and cultural change into distinct segments for analysis. Changing sets of organizational characteristics could be observed over time throughout an organization's lifetime. Many

scholars have provided models to simulate the stages of an organization's evolution (e.g., Quinn & Cameron, 1983; Smith, Mitchell, & Summer, 1985). These stages are driven by the search for new growth opportunities, the responses to different internal crises, or adaptation to changing technology (Greiner, 1972; Romanelli & Tushman, 1986). Each life stage encompasses unique needs, pressures, opportunities, and priorities (Jawahar & McLaughlin, 2001; Miller & Friesen, 1984; Milliman, Von Glinow, & Nathan, 1991). Based on a study of 161 periods of history from 36 organizations, Miller and Friesen (1984) generated a five-stage model of organization life cycle including birth, growth, maturity, revival, and decline. This model was validated and modified by later researchers such as Baird and Meshoulam (1998) and Drazin and Kazanjian (1990) into four stages: birth, growth, maturity, and revival. The four-stage model is used to characterize organizational life stages in our model.

Toward a Theory of Organizational Cultural Evolution

Our model proposes that organizational culture evolves with the development of the organization. At different stages of organizational development, different cultural mechanisms gain salience. Building on Miller and Friesen's (1984) conceptualization of the cycle of an organization's life and later modifications, we propose that an organization generally goes through four stages, start-up, growth, maturity, and revival or decline. At each stage, organizational culture exhibits prominent mechanisms, from inspiration, implantation, negotiation, to transformation. Figure 2 illustrates the organizational development stages and the corresponding cultural mechanisms. The following sections will explain the challenges and needs of the organization and primary mechanisms of culture at each stage.

Organizational Start-up and Cultural Inspiration

At the start-up stage of an organization, organizational concerns surround survival. At this stage, threats can come from external factors, such as funds, cash flow, and customer acceptance (Dodge, Fullerton, & Robbins, 1994; Dodge & Robbins, 1992; Kazanjian, 1988). Start-up organizations usually need to resolve potential problems such as securing financial resources (Kazanjian, 1988), establishing customer contacts (Dodge & Robbins, 1992), and assessing and defining target markets (Dodge & Robbins, 1992). Under such conditions, organizations tend to select a risky strategy over a riskless strategy because risky strategies could actively address the issues and interests of key stakeholders such as shareholders, creditors, and customers who are key to the funding and marketing concerns of the start-ups (Jawahar & McLaughlin, 2001). At such times, other stakeholders, such as employees, will only be accommodated
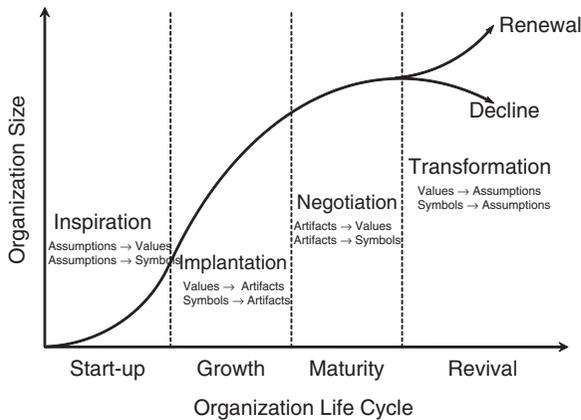
The figure depicts Organization Size (y-axis) against Organization Life Cycle (x-axis: Start-up, Growth, Maturity, Revival) with labels:

Renewal

Decline

Transformation
Values → Assumptions
Symbols → Assumptions

Inspiration
Assumptions → Values
Assumptions → Symbols

Implantation
Values → Artifacts
Symbols → Artifacts

Negotiation
Artifacts → Values
Artifacts → Symbols

FIGURE 2: Organizational Life Cycle and Dominant Cultural Mechanisms

because the resources are already devoted to addressing issues with shareholders, creditors, and customers (Jawahar & McLaughlin, 2001).

What is clear is that at the start-up stage, the survival of the organization against external turbulences and the organization's consequent attention to funding and marketing related issues are paramount. Consequently, internal organizational conditions tend to take a second seat. At this stage, structures and formality are secondary (Kazanjian & Drazin, 1989). This leads to the propensity of the organization to use cultural mechanisms to hold the organizational members together rather than addressing internal conflicts, coupled with a focus on diffusing intangible cultural values rather than implementing practices that reflect the cultural values.

Because of the organization's concern with survival in the external environment, establishing a collective identity that differentiates itself from the outside environment is the dominant cultural concern, as people from different backgrounds and mind sets are brought to work together. The dominant organizational needs converge on establishing a collective identity and a sense of belonging. This inevitably calls for a strong force for cultural integration. Schein (1985) identifies three sources for the formation of organizational culture, beliefs, values, and assumptions of founders, learning experiences of group members as the organization evolves, and new beliefs, values, and assumptions brought in by new members and leaders. Among the three sources, founders' beliefs, values, assumptions are the most important because founders tend to select people who are more or less like them (Schein, 1985). Founders often have strong cultural assumptions which they impose on their partners and employees as the new organization copes with the external environment (Schein, 1985).

We propose that at this stage, the dominant cultural mechanism is inspiration. By inspiration, we refer to a cultural mechanism that rallies organizational members through the leaders' shaping or aligning with members' values, beliefs, and aspirations. This mechanism is usually carried out through creating and diffusing mission and vision of the organization, powerful symbols and artifacts that represent the ideal state of the organization, inspiring stories or legends that recount a dramatic establishment of the organization, a sense of collective destiny, and a common set of language. The direction of this mechanism is usually from founding members/leaders to other members. Schein (1985) describes this process as one in which the founders bring in a core group of people who share their ideas which become the core set of cultural beliefs and values of the organization.

From a micro perspective, the dynamisms primarily involved at this stage are proactive manifestation and proactive interpretation, using Hatch's (1993) language. Proactive manifestation translates basic assumptions of founding members into values which are transmitted from founding members to other organizational members, through vision and mission statements, stories, and common language. These values are also represented by symbols that carry an interpretation of the values underlying them. The proactive interpretation process is involved that translates basic assumptions into new understandings that appear in symbols and languages.

At this stage, although all three perspectives (integration, differentiation, and fragmentation) carry explanatory power, integration is the most salient perspective to look at the organization's culture. Both Rodriguez's (2006) 27-year longitudinal study of a telecommunications company in Brazil and Daymon's (2000) 3-year longitudinal study of a television station reveal that, although integration coexisted with differentiation and fragmentation at the launch of the companies, integration appears more salient than the other two at this stage. In Rodriguez's (2006) example, the start-up culture of the telecommunications company centered on an ideology of institutionalization of technocracy. The dominant cultural metaphor that rallied all organizational members was that of a patriarchal family (Rodriguez, 2006). The television station in Daymon's (2000) example was built partly on a pool of people who worked for a previous franchise and who entered the company with expectations about the creative nature of television. The primary cultural practices at that time involved a series of introductory courses which highlighted the values on commercialism and cost awareness of television stations. By the end of 2 years, two values demonstrated consistency across the organization: the station had to make money and it had to provide quality programs (Daymon, 2000). In both cases, inspiration was the dominant cultural mechanism, involving mainly the transference of cultural assumptions and values from leaders to members. This mechanism contributed to the establishment of a unified identify for a new organization.

Organizational Growth and Cultural Implantation

As an organization successfully deals with its survival issues, it enters the stage of emerging growth. At this stage, the organization faces a different set of potential problems, such as stabilizing production and product reliability, matching increasing demand, keeping cash flow, and formalizing structure (Dodge & Robbins, 1992). The central concern at this stage is seeking for and expanding new opportunities (Jawahar & McLaughlin, 2001). This stage is associated with changes in organizational strategy, concern for stakeholders, and management priorities (Jawahar & McLaughlin, 2001; Smith et al., 1985). For example, Jawahar and McLaughlin (2001) argue that a risk-averse strategy is often pursued by organizations at their growth stage, and employee groups are addressed proactively. To sustain and facilitate growth, organizations fine-tune themselves, develop a bureaucratic structure, delegate authority to middle managers, and formalize procedures (Miller & Friesen, 1984). Top managers during such times usually take into account long-term effects of their decisions on the entire system and structure of their organization, thus leading to the focus on formalized coordination systems reflected in policies, standardized procedures, formal reporting relationships, and others (Smith et al., 1985).

Corresponding to the changes in strategy and structure, the primary cultural needs of the organization shift from identity formation to the consolidation of newly established cultural values. The internal concern of the organization at this stage gives a chance for key organizational members to intentionally develop and substantiate the organizational culture. A culture characterized with a charismatic value system usually represents a temporary and transient situation, because when leaders leave, cultural discontinuity may ensue (Wiener, 1988). A charismatic culture tends to evolve into a functionally based culture that discourages hero worship while upholding enduring values that can guide members' behavior toward the organizational mission (Wiener, 1988). Weeks and Galunic (2003) also claim that the influence of the leaders in the organization is powerful but never certain. Organizational leaders and their values alone cannot ensure that particular memes are effectively spread through the organization, but need to rely on other mechanisms to accomplish that (Weeks & Galunic, 2003).

We term the dominant cultural mechanism at the growth stage as *implantation*. Implantation refers to the process through which the cultural assumptions, values, and symbols that were diffused at the start-up stage are implanted and embedded in an organization in the forms of organizational systems, structures, policies, rites and rituals, stories, and other tangible forms. Weick (1988) uses the term *enactment* to capture the process in which particular aspects of experience are brought in the foreground and singled out for closer attention. Schein (1985) uses the term *embedding* to capture how leaders teach organizational members how to perceive, think, feel, and behave. Schein

(1985) identifies several apparatuses that leaders use to embed cultural values, such as design of tasks, division of labor, organizational structure, reward and incentives, control system, design of physical space, and information systems.

From a micro perspective, this stage is filled with the mechanism of proactive realization and proactive symbolization. Values of founding members of the organization are realized and reinforced in artifacts such as organizational infrastructure, processes, and policies (proactive realization). At the same time, symbolic meanings are bestowed on artifacts so that the artifacts carry on meanings recognizable by organizational members and meanings that are beyond their literal meanings (proactive symbolization). As Weeks and Galunic (2003) discuss, tangible carriers of culture tend to persist over time despite leadership changes, which is conducive to continued development of the organization. At this stage, the integration perspective still runs supreme. People are eager to install cultural components based on their newly established identities and accompanying values. Daymon's (2000) TV station embedded their values on commercial values in systems such as tight budgetary constraints and authorization procedures, which reinforced their focus on commercialism.

Organizational Maturity and Cultural Negotiation

When sales level stabilizes and innovation falls, the organization enters into the maturity stage (Miller & Friesen, 1984). At this stage, the organization enjoys steady cash flow, confidence of its success, and the absence of immediate threat (Jawahar & McLaughlin, 2001). Usually, organizations at this stage have more complex and formalized structure to deal with the complexity coming from the increasing size and delegation of authorities (Miller & Friesen, 1984). During this time, efficiency is a vital concern, because efficiency replaces innovation to contribute to organizational outcomes (Miller & Friesen, 1984). Organizations also proactively deal with employees, through offering training and development opportunities, incentive programs, and others to accommodate employee needs (Jawahar & McLaughlin, 2001).

The organization is pluralistic in nature (Greenwood & Hinings, 1996). Struggles between different subcultures are entailed in the production of organizational culture (Linstead & Grafton-Small, 1992; Schein, 1985). At the maturity stage, because the concerns for external adaptation (survival in the market place) and internal integration (embedding cultural values in practices) have been addressed in previous stages, pluralistic forces would overtake that toward unity. As Schein (1985) describes, when the organization matures, it tends to experience significant changes, such as from private to public ownership, from founding families to boards of directors, from smaller to bigger in size, or from larger and fewer divisions to smaller and more divisions. These changes propel differentiation among organizational groups and eventually formation of subcultures. In addition, different parts of an

organization exist in different environments and each part will evolve to adapt to its particular environment, resulting in different subcultures in the same organization (Schein, 1985). Gulerce (1995) explains that a subculture generates a sense of allegiance within one group and difference from other groups. This is multiplied by the fact that with the changes in the environment, people constantly change their interpretations of organizational reality (Gulerce, 1995). As a result, conflicting views and values surface in the organization, subcultures gain strength, and a differentiated culture could be observed. The espoused values of the organization have helped the organization develop into a unified entity, but theory-in-use in some groups may have been in long-term conflict with the mainstream values such that conflict is likely to break out when the organization achieves stability.

In our model, the dominant cultural mechanism at this stage is negotiation. Negotiation refers to the process through which cultural elements from different subcultures are exchanged and negotiated, as the organizational culture renegotiates its identity. Conflicts, controversies, and power struggles tend to happen in this process, as different cultural views struggle to be validated and become part of the mainstream culture.

From the micro perspective, the primary cultural mechanisms at this stage are retroactive realization and retroactive symbolization. Hatch (1993) describes the process of retroactive realization as the process through which artifacts maintain or challenge cultural expectations of how things should be. This process dominates the maturity stage of the organization. As subgroups evolve on different paths based on their day-to-day interactions within their life worlds, customer-focus versus technology-orientation for instance, different artifacts such as policies, reward systems, and work procedures emerge. These artifacts have helped the subgroups survive in their particular environment but oftentimes have parted ways with the development of the organization. As the organization enters the maturity stage when external threat is not a central concern, the conflicts between different sets of artifacts established by different subgroups escalate and begin to challenge the shared organizational values and symbolic meanings achieved during the start-up and growth stages. At the same time, retroactive symbolization occurs when these artifacts separate themselves from the unified symbolic meanings afforded them at earlier stages, or new artifacts come into being that embrace new symbolic meanings. The intertwined conflicts, negotiation, bargaining, and power struggle between the subgroups result in changed values and changed symbols. In Rodriguez's (2006) example, as the telecommunications company grew in an environment with less government investment and less emphasis on technocracy, differentiation occurred that led to subcultures eventually, that of the managers, that of the union, and later that of engineers and technicians. The previously dominant family metaphor went awry (Rodriguez, 2006). The management culture shifted from that of technocracy to that of market

orientation and competition, and it attempted to install a nontechnical and commercial culture across the company. The union carried on open opposition of this attempt. The engineers and technicians maintained their own subculture and stayed in between the management culture and the union culture. The subcultures engaged in negotiation when new artifacts changed existing values or symbolic meanings. For example, a major conflict broke out on promotion decisions. The managers tried to allow people without an engineering degree to enter management ranks so that they could bring in their political allies, although the engineering and union groups insisted that engineering qualifications were necessary to enter the organization. The management also discontinued the long-term service award in an attempt to strengthen their control of the other groups which the other two groups opposed. The result was that the management was labeled nepotistic, patrimonial, and corrupt in the union newspaper.

At this stage, differentiation and fragmentation are dominant. Both cases from Rodriguez's (2006) and Daymon's (2000) longitudinal studies demonstrated a decline in the integrating forces and a rise in the divergent forces in subcultures in their respective organizations as the organizations grew beyond their birth and early development.

Organizational Revival and Cultural Transformation

As the organization begins to decline, losing market shares and competitive advantage, it enters the stage of decline or revival. At this stage, problems arise such as slowing growth rate and depletion of slack resources (Ford, 1980). Managers begin to focus on gaining support from their subordinates as well as making changes to prepare their organization for future growth (Smith et al., 1985). Some organizations successfully diversify and expand their product-market scope to cope with the increasing complexity and heterogeneity of the market (Miller & Friesen, 1984). Higher levels of risk taking and planning are undertaken and innovation accelerates (Miller & Friesen, 1984). On the contrary, other organizations rely on cost-cutting and consolidation of product-market, which eventually lead to lower levels of innovation and slowing growth (Miller & Friesen, 1984).

To continue coordinated actions within the organization, subcultures need to reach some level of agreement which necessitates the existence of a set of unified cultural assumptions. A cultural transformation is needed for the differentiated and fragmented subcultures to form an alliance that can cope with a slowing growth rate. Not all organizations successfully go through this stage. Some organizations may experience an escalated level of differentiation and fragmentation which may eventually threaten the existence of the organization. Rodriguez's (2006) telecommunications company experienced deepened fragmentation and tension between managers and union workers,

and the company eventually was reduced from an elite company to a sales office which had no influence on major political decisions. Some organizations are able to find a balance between integration and differentiation/fragmentation, which often leads to a cultural renewal that sustains the organization through the changes. We call the major cultural mechanism at this stage as *transformation*. Transformation refers to the process through which subcultures negotiate and achieve a fundamentally different organizational culture that maintains a balance between cultural diversity and cultural unity. Schein (1985) describes several approaches for an organization to realign its parts, including selecting one subculture to be dominant or blend subcultures by picking elements from both cultures for the organization. Using the metaphor of evolution, Weeks and Galunic (2003) describe the process of recombination where existing cultural elements are shuffled and new combinations are formed. At the other end, diversity emerging from different cultures is encouraged because of its potential to stimulate explorative learning and innovative thinking that can propel the organization into new growth areas (McNamara & Baden-Fuller, 1999).

Transformational changes usually involve a paradigm shift altering the basic elements of organizational culture such as assumptions, beliefs, and values (Cummings & Worley, 2005). From the micro perspective, transformation involves mainly retroactive manifestation and retroactive interpretation, using Hatch's (1993) concepts. Retroactive manifestation captures the influence of new values that maintain or change assumptions whereas retroactive interpretation encompasses the influence of new symbols to keep or alter existing assumptions. As the organization continues to face threats of collapse and external competition, some new basic assumptions need to be made from which unified values, symbols, artifacts, and ultimately coordinated practices can result. The negotiation process has helped reveal different artifacts, symbols, and values of subgroups as well as accumulation of power by some subgroups. At the stage of revival, certain subgroups could unify the organization by instilling their assumptions to the rest of the organization, or some compromise can be made among subgroups for them to agree on a set of basic cultural assumptions, or newcomers are brought into the organization who hold a set of assumptions from which new meanings and actions could be obtained.

At this stage, integration gains prominence again. However, integration is not as strong as it was at the beginning stage of the organization when the organization was focused on finding a common identity. At the revival stage, as the organization has already experienced substantial development, subcultures may have taken hold. At the same time, to release internal diversity, exploratory learning is encouraged (McNamara & Baden-Fuller, 1999). The force for integration would be proportional to the force for differentiation. A balancing act would be at play for organizational members to achieve an organizational identity that coexists with subcultures.

Based on the above discussions of the four stages of the organization's life cycle and corresponding cultural mechanisms, we propose the following four propositions:

> *Proposition 1:* At the start-up stage of an organization, inspiration is more likely to be observed than implantation, negotiation, and transformation. Specifically, inspirational cultural mechanism includes proactive manifestation and proactive interpretation that transfer cultural assumptions of key organizational members to other members via spreading values and providing symbolic representations of the assumptions.
>
> *Proposition 2:* At the growth stage of an organization, implantation is more likely to be observed than inspiration, negotiation, and transformation. Specifically, implantation mainly involves proactive realization and proactive symbolization through which values are embedded into tangible forms and artifacts are bestowed symbolic meanings.
>
> *Proposition 3:* At the maturity stage of an organization, negotiation is more likely to be observed than inspiration, implantation, and transformation. Specifically, negotiation mainly involves retroactive realization and retroactive symbolization through which values and symbolic meanings are altered based on new artifacts.
>
> *Proposition 4:* At the revival stage of an organization, transformation is more likely to be observed than inspiration, implantation, and negotiation. Specifically, transformation mainly involves retroactive manifestation and retroactive interpretation where new values and new symbols alter basic assumptions.

External Environment and Cultural Evolution

Our model posits that there is usually a sequential order to the four stages of cultural evolution, from inspiration to implantation, negotiation, and transformation. However, organizations do not all develop linearly, and organizational culture does not always follow the exact order of the sequence of mechanisms described. Martin (2002) argues that cultures do not go through the same sequence, such as from fragmentation to integration, and then onto differentiation. The same is true with the proposed model. An organization's environment and resources pose constraints on what it can accomplish (Van de Ven & Poole, 1995). Environmental changes in areas such as products, technology, market needs, consumer characteristics, or regulations and policy changes constantly bring disruptions to the natural process of evolution of the organization. For example, when an organization at its start-up phase is bought by another organization, it may jump from identity formation to another round of identity formation directly. Its culture then naturally shifts from inspiration to another round of inspiration. This is because when the external environment is very turbulent or when the organization undergoes significant changes, people tend to look up to their leaders for sense making and direction

(Hamblin, 1958). In cases of mergers and acquisitions, leaders of the new organization normally need to constantly inspire two or multiple groups of organizational member so that they can work toward a common vision and build a new identity. Inspiration is the dominant mechanism for the formation of new identity. An organization that faces a highly uncertain and turbulent environment must constantly reinvent itself. Consequently, organizations that operate in highly uncertain and turbulent environments tend to continuously engage in the inspiration mechanism, through which leaders' values align with members' to form a unified identity.

In addition, organizations in highly uncertain environments need to frequently learn and thus revise mindsets, technology, and routines. As a result, organizational culture is likely to be transformed due to constant learning caused by change and uncertainty. Ellis and Shpielberg (2003) argue that organizational learning is a critical mechanism of coping with environmental uncertainty. As organizations face turbulent environments, existing knowledge that can no longer accommodate the environment must be altered and organizations must develop new understandings. Furthermore, organizational members from different subcultures may interpret the external environment in different ways. New learning and understanding emerge as new cultural artifacts, symbols, and values in the subcultures in an organization. Simultaneously, subcultures have to reach agreement on a set of general rules (assumptions) in order to survive the turbulent environment. Therefore, cultural transformation is likely to be another prominent cultural mechanism constantly experienced by organizations in turbulent environment.

On the contrary, organizations in relatively stable environment are more likely to use established cultural elements to deal with environmental challenges. Organizations in such relatively stable environment are likely to depend on institutionalizing existing cultural assumptions and values into routines for conducting day-to-day businesses (Gordon, 1991). This institutionalization leads to specialized structures that encompass known ways of doing things (Levins, 1968). Thus, organizational culture focuses on implanting assumptions and values that have proved to be effective in the past into artifacts such as policies, established procedures, reward systems, and others. At the same time, organizations in stable environment also engage in experimentation and learning to adjust to environmental pressures but no basic assumptions are changed (Gordon, 1991). The experimentation and learning may occur through negotiation and power struggle of the subcultures which embrace practices and values that helped them survive in one area of the environment. The organizational culture then exhibits the negotiation mechanism. Based on the above reasoning, we propose the following:

Proposition 5: Organizations facing turbulent external environment are more likely to experience inspiration and transformation and less like to experience implantation and negotiation.

Proposition 6: Organizations facing a stable external environment are more likely to experience implantation and negotiation and less likely to experience inspiration and transformation.

Conclusions and Discussion

The proposed theoretical framework delineates a four-stage model of cultural evolution, proceeding from inspiration, to implantation, negotiation, and transformation. At each organizational developmental stage, although various cultural mechanisms exist, a primary cultural mechanism can be observed. The first is the start-up stage when the organization is newly established and facing the challenge of survival. The major cultural mechanism is inspiration which involves the founders' efforts to integrate organizational members by appealing to their values, beliefs, and aspirations. Inspiration involves the cultural dynamics of proactive manifestation which decodes assumptions into values and proactive interpretation which abstracts assumptions into symbols. The second stage is organizational growth which is characterized with organizational expansion and formalization. The primary cultural mechanism at this stage is implantation which involves embedding cultural values in systems, policies, and practices. Implantation encompasses the realization of values in artifacts and symbolization of artifacts. The third is the organizational maturity stage in which the organization experiences stable revenue but slower growth and innovation. The primary cultural mechanism at this time is negotiation which captures the exchanges and negotiations different subcultures engage in. Negotiation involves retroactive realization and retroactive symbolization through which values and symbolic meaning are altered based on new artifacts. The fourth stage is organizational revival when the organizational culture experiences a fundamental change in basic assumptions and achieves a balance between cultural diversity and cultural unity. At this stage, transformation is the primary cultural mechanism that facilitates the formation of a set of unified cultural assumptions that lead the organization to new areas of growth.

Furthermore, we acknowledge that environmental turbulence would affect the demonstration of cultural mechanisms. When the external environment is turbulent, the organization may experience inspiration and transformation more than implantation and negotiation. On the contrary, when the external environment is relatively stable, the organization may be more likely to experience implantation and negotiation than inspiration and transformation.

The proposed theoretical framework sheds light on several important issues of organizational culture. First, it adds to the literature on the dynamic view of culture. Both Hatch (1993) and Rodriguez (2006) point out the lack of understanding of the evolution and change of culture. The present work addresses this gap. The framework indicates that a static view of culture is

inadequate because distinct cultural mechanisms gain prominence at different stages in an organization's life cycle. There is a visible pattern of evolvement of culture through the life course of an organization. Examining culture from a particular time period of an organization needs to be complemented with the understanding that culture may take on different characteristics at other time periods. Longitudinal studies of organizational culture need to be encouraged in order to shed more light on the dynamic view of culture. In particular, empirical studies that test the propositions generated in this article will be needed.

Second, the proposed framework provides a bridge to link the macro perspective of cultural dynamics that examines how culture is influenced by organizational developmental needs and a micro perspective of cultural dynamics that describes the internal mechanisms of culture. It makes a stance on the relevance of organizational development to cultural evolution. Cultural mechanisms are tied to the critical organizational needs at each stage, which underlines the necessity to consider the developmental needs of an organization while considering planned cultural changes.

Third, the framework extends the studies of culture, such as Martin's (2002), to include a temporal dimension. Martin (2002) advocates for the simultaneous usage of all three perspectives of integration, differentiation, and fragmentation to examine culture. This article suggests that the three perspectives may weigh differently at various times in an organization's life. It will be worthwhile to further explore environmental and organizational factors that may have a bearing on the comparative weighting of the three perspectives at different time periods.

Fourth, the proposed framework identifies the influence of the external environment on organizational culture. When the external environment is turbulent, the organizational culture may be more likely to display the mechanisms of inspiration and transformation. When the external environment is relatively stable, the organizational culture may exhibit more implantation and negotiation mechanisms. This means that when studying organizational culture, environmental factors need to be taken into consideration. In particular, future longitudinal studies could consider involving organizations in both volatile and stable environment so that their cultural trajectories can be compared.

Implications for Human Resource Development

What the proposed model indicates for HRD professionals is that examining the developmental stage of the organization would be beneficial for HRD professionals to decide on a set of strategies to facilitate cultural change. Although it is important to note that cultural assumptions, values, and artifacts are in constant exchange and interactions, it is worth noting that their interactions exhibit distinct characteristics at different time periods. Identifying

the particular development stage an organization is in could point HRD professionals in seeking out cultural strategies that could generate maximum effect. When the organization is young and searching for identity, an inspirational approach would prove helpful for inspiring and rallying organizational members around a common cause. Uplifting stories, mission statements, and direct dialogues of leaders and organizational members would help communicate the core values of the founding members to other organizational members. When the organization grows, values need to be embedded in structures, systems, procedures, and other artifacts in the organization. HRD professionals could help develop visible carriers of culture such as routines, stories, training materials, and so on. As the organization matures and the differentiation of cultural values intensifies, HRD professionals then need to shift attention to facilitating negotiation between subcultures so that differences are articulated and possible recombination could be conducted. Negotiation, communication, clarification, and explanation of the sources and characteristics of the subcultures need to take place, to assist in the understanding of the subcultures. Inevitably, power struggles, role conflicts, banding, or other political mechanisms may occur, activated by groups to secure a respectable position for themselves in the organization. At this stage, facilitating communication to make different voices heard, promoting the benefit of dialogue and equitable treatment of different groups are the key tasks of HRD professionals. For the revival stage, HRD professionals could engage themselves in helping the translation process of new values and symbols into assumptions. Dealing with cultural conflicts and channeling efforts into constructing a common destiny are needed. HRD professionals can use their expertise in organization development to address the need for unification and solidarity.

Watkins (1991) identified one of the major roles of HRD professionals as change agents who lead people to look at the organization as a whole system. Organizational culture permeates the organization and influences every aspect of the organization. The role of HRD professionals in fostering changes to the organization needs to be informed by the mechanisms of organizational culture, the patterns of cultural change, and the effective levers that can promote desired cultural change. Leaders in an organization play a key role in initiating, fostering, and implementing cultural changes. However, they cannot do that alone. The communication, execution, and evaluation of the cultural changes need to be shared by HRD professionals because of their focus on fostering change and their knowledge of the strategies, practices, and tools of implementing changes.

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Erratum

Zheng W., Qu Q. & Yang B. 2009. Toward a Theory of Organizational Cultural Evolution, *Human Resource Development Review, 8(2): 151-173. DOI:10.1177/1534484309333619*

In the article *Toward a Theory of Organizational Cultural Evolution,* Figure 1 appeared with an error. The correct figure is reproduced here.
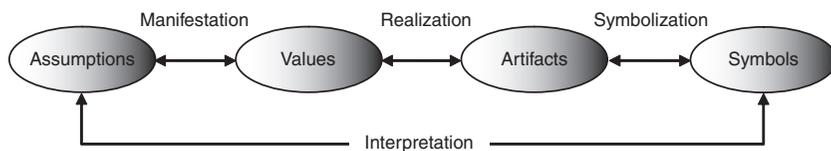

FIGURE 1: Graphical Representation of Hatch's (1993) Cultural Dynamics Model