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# **The Role of Subcultures in Agile Organizations**

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<sup>1</sup> The second author wrote this paper while a Marvin Bower Fellow at the Harvard Business School and is grateful for their support. We also thank Elizabeth Mannix, Rita McGrath, and an anonymous reviewer for their insightful suggestions.

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## **The Role of Subcultures in Agile Organizations**

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Organizations face increasingly dynamic environments characterized by substantial, and often unpredictable technological, political, and economic change. How can organizations respond rapidly to such changes or become more agile? Organizational agility, according to Lee Dyer, “requires a judicious mix of stability and reconfigurability” (2001: 4). We consider an unlikely source of agility: organizational culture. This may seem like an odd juxtaposition since strong unitary cultures exert a stabilizing force on organizations by encouraging cohesion, organizational commitment, and desirable work behaviors among members (e.g., Deal & Kennedy, 1982; Nemeth & Staw, 1989; O’Reilly & Chatman, 1986). This stability generates cultural clarity and consistency among members, forces that, if the culture is strategically aligned, enhance organizational performance (e.g., O’Reilly, 1989; Kotter & Heskett, 1992). But, such stability may also constrain strong culture organizations from initiating or reacting to environmental change (e.g., Benner & Tushman, 2002; Benner & Tushman, in press), a necessary capability for optimizing performance (Lawrence & Lorsch, 1967; Child, 1972). Thus, strong cultures can provide organizations with significant advantages, but when the basis for survival rests on an organization’s ability to change and adapt, a strong culture can be a liability.

We propose that one way that strong culture organizations can become agile without losing their basis of strength, is by allowing certain types of subcultures to emerge. We explore how organizations can simultaneously reap the benefits of building and maintaining a strong culture while remaining responsive to dynamic environments. Subcultures can permit an organization to generate varied responses to the environment without necessarily destroying its internal coherence. Subcultures may provide the flexibility and responsiveness that a unitary culture may limit.

Interestingly, the very existence of a strong organizational culture, one whose members agree and care about their organization’s values, seems to preclude subcultures (O’Reilly, 1989; Saffold, 1988). Indeed, researchers have depicted subcultures as detracting from a strong organizational culture (Martin, 1992). We suggest, instead, that subcultures have certain properties that can even strengthen an organization’s overall organizational culture. First, subcultures vary in the extent to which they disrupt the

overarching culture. Second, subcultures often emerge in response to changing demands and can serve as an outlet for members to express conflict and dissent arising during turbulent times. Thus, subcultures may provide a mechanism for changing less central values. Indeed, that subcultures are potentially important with respect to affecting core values may further substantiate how difficult it is to change an organization's culture (e.g., Trice & Beyer, 1984). Reducing change-induced disruption can be particularly advantageous if the overarching culture is strategically aligned and effective.<sup>2</sup>

Our goal in this chapter is to understand how subcultures, or relatively small clusters of members that share a set of norms, values, and beliefs, influence strong culture organizations' agility. We begin with the proposition that organizations benefit from simultaneously managing strong, stable cultures while maintaining the flexibility and adaptability necessary to survive the ebbs and flows of turbulent environments (e.g., Tushman & O'Reilly, 1996; Tushman & Smith, 2002). We then distinguish among various types of values to consider how subcultures can co-exist and evolve within strong organizational cultures. We also investigate the conditions that stimulate subcultures to emerge both individual, group, and organizational levels of analysis. Finally, we describe how subcultures can increase organizational agility by providing a source of creativity and flexibility.

### **How Strong Cultures Create Stability**

We define organizational culture as shared values that inform organizational members about how to behave appropriately (e.g., O'Reilly & Chatman, 1996). Organizations with a strong culture create clear and coherent values (Chatman & Cha, 2002; Saffold, 1988) and expect that members agree with and care intensely about those values (Jackson, 1966; O'Reilly, 1989), even if core values emphasize dissent and creativity (e.g., Flynn & Chatman, 2001; Sutton & Hargadon, 1996). Agreement refers to the level of consensus (or crystallization, cohesion, consistency, or dispersion) among members about organizational

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<sup>2</sup> It is possible that an organization's overarching culture is ineffective and *misaligned* with its competitive realities. In this case, disrupting the overarching culture may be desired, and subcultures may well be a useful tool to initiate more radical cultural change. We restrict our discussion to cases in which the overarching culture is reasonably effective and relatively aligned with an organization's competitive position, rather than focusing on cases in which the overarching culture requires wholesale change.

values and associated behavioral norms, while intensity refers to members' demonstrated commitment to those values.

Academics and practitioners have touted the virtues of strong organizational cultures that emphasize strategically relevant values. By increasing members' understanding of organizational objectives, ties to one another, and commitment, organizations with strong cultures increase the chances that members can execute those objectives and, as a collective, increase organizational performance (Deal & Kennedy, 1982; Pottruck & Pearce, 2001; Tushman & O'Reilly, 1997). Though some researchers have questioned how well strong cultures improve bottom-line performance (Saffold, 1988), a growing body of research and a host of salient examples demonstrate how organizations attain strategic advantages through strong cultures (Collins & Porras, 1994; Gordon & DiTomaso, 1992; O'Reilly & Pfeffer, 2000b). For example, Southwest Airlines' ability to perform better than industry competitors over a sustained period of time has been attributed to its strong culture focusing on keeping costs low and customers happy (e.g., O'Reilly & Pfeffer, 2000a; Friedberg & Friedberg, 1996).

Strong cultures may, however, impose a level of stability on organizations, and such stability has mixed implications for performance. Denison and Mishra (1995) found that "stability traits" such as a firm's mission, consistency, and normative integration, were related to its profitability. Specifically, organizations with strong cultures had greater returns on investments, but only in the short run; after three years the relationship between cultural consistency and performance became negative (Denison, 1990). Strong cultures may enhance short-term success but inhibit long-term organizational performance; they may even contribute to long-term failure by preventing organizations from adapting to changing contingencies.

Sorensen (in press) found that organizations with stronger cultures were most effective when their environments favored exploiting, or fully executing existing objectives using existing organizational knowledge and approaches, rather than exploring, or discovering and developing new objectives using new approaches. He reasoned that incremental adjustments to organizational routines were easier in strong culture firms because participants have an agreed upon framework for interpreting environmental

feedback and a common set of routines for responding to different signals from the environment (Sorensen, in press: 2). Using the same reasoning, however, the agreed upon framework and set of routines may inhibit an organization's ability to embark on more radical strategic shifts. Reanalyzing Kotter and Heskett's (1992) data set of 200 firms and their cultures, Sorensen (in press) found that strong culture organizations were more financially successful in stable environments and less successful in dynamic environments. Thus, while cultural strength and stability may enhance organizational performance in the short run and in stable environments, they may also inhibit an organization's ability to change, adapt, or innovate.

Gagliardi (1986) suggested that organizations with strong cultures are capable of only limited change because members are especially resistant to changing those strongly held and widely shared values. This resistance limits the range of permissible value changes to those that are compatible with existing core values. Thus, even when strong culture organizations could benefit from changes that require modifying their core values, resistant members may prevent such change from occurring. Wilkins and Ouchi (1983) suggested that strong cultures can be adaptive, but cannot withstand radical changes that directly challenge their basic assumptions. For example, such resistance threatened Westinghouse's survival, by preventing it from reaping any benefits from acquiring a factory automation business. The head of Westinghouse's advanced technology group concluded after this significant failure that, "It was a classic case of trying to merge an entrepreneurial organizational into a relatively slow-moving, large American corporation" (Nohria, Dwyer, & Dalzell, 2002: 11). Taken together, these perspectives suggest that firms with stronger cultures are better at staying the course but that innovation poses a major challenge (e.g., Nemeth & Staw, 1989; Staw, Sanderlands, & Dutton, 1981). Despite this evidence, we propose that the claims of the incompatibility between strong cultures and organizational agility have been overstated; instead, we propose that organizations with strong cultures can use subcultures to become more agile and to drive innovation.

### **Can Subcultures Emerge in Strong Culture Organizations?**

Although there is no single definition of an organizational subculture, most approaches to subcultures have common distinctions and features. For example, while many researchers have discussed the role of sub-groups in organizations (Lawrence & Lorsch, 1967; Van de Ven & Ferry, 1980), not all sub-groups can be considered subcultures. Subcultures are groups whose common characteristic is a set of shared norms and beliefs. In contrast to subgroups, subcultures need not form around existing subdivisions, such as departmental or functional groups (although they often do), nor do they need to be consciously or intentionally formed, as we discuss below (Trice & Beyer, 1993). The range and variety of subcultures is as diverse as the range and variety of existing organizational cultures. Though subcultures' ubiquitous presence in organizations has been well documented (Bloor & Dawson, 1994; Hofstede, 1998; Jermier, Slocum, Fry, & Gaines, 1991; Martin & Siehl, 1983; Van Maanen & Barley, 1984; Trice, 1993), few have proposed that subcultures may instigate the sort of adaptation that also does not threaten an organization's coherence (see Tushman & O'Reilly, 1996, for an exception).

Martin (1992) developed an elegant model of cultures and subcultures by distinguishing between conceptualizations of organizational cultures that were cohesive and unitary, or *integrated*, and those characterized as collections of subcultures, or *differentiated*. A *fragmented* culture is ambiguous and open to members' multiple interpretations. These distinctions imply that an integrated culture precludes differentiated subcultures and vice versa, or that an organization may either have a single culture with no subcultures, or subcultures with no overarching organizational culture. But, this typology does not consider the possibility that subcultures might co-exist within an overarching culture. Perhaps this reflects a conceptual division among organizational culture scholars; those focusing on the advantages of strong cultures tend to highlight overarching cultures and rarely consider subcultures (e.g., Kotter & Heskett, 1992; O'Reilly, 1989), while those focusing on organizations as collections of subcultures rarely consider that they could be united by a strong, overarching organizational culture (e.g., Rose, 1988; Sackmann, 1992; Trice & Beyer, 1993). By considering culture content and strength, we propose that subcultures can develop within strong integrated cultures without weakening the overarching culture.

## **Culture Content and Strength and the Coexistence of Subcultures: Distinguishing Between Pivotal and Peripheral Values**

Culture content refers to the specific emphases or activities to which the values and derived behavioral norms are directed, or *which* values and norms emerge within an organization (Flynn & Chatman, 2001). Despite their importance, we understand relatively little about how and why specific values and norms emerge. Why, for example, do some work groups emphasize norms that regulate dress (e.g., Pratt & Rafaeli, 1997) while others adopt norms that regulate where people should sit in meetings (e.g., Puffer, 1999), or when they should arrive (e.g., Sutton & Hargadon, 1996)? Flynn and Chatman (in press) suggested that values and norms arise from a group or organization's demographic composition. Visible differences create social categories influencing whether a group values, for example, cooperative versus individualistic approaches to work (e.g., Chatman & Flynn, 2001). Culture strength refers to members' level of agreement with and approval of those norms and values (e.g., O'Reilly, 1989). In stronger cultures members are more likely to be rewarded for adhering to, or sanctioned for violating, core values (O'Reilly & Chatman, 1996).

Schein (1988) observed that values varied across organizations and that members' cared more intensely about some values than others, distinguishing between *pivotal* and *peripheral* values. Pivotal values are central to an organization's functioning; members are required to adopt and adhere to the behavioral norms derived from these values and are typically rejected from the organization if they do not (e.g., Chatman, 1991; O'Reilly & Chatman, 1996). Peripheral values are desirable but are not believed by members to be essential to an organization's functioning. Members are encouraged to accept peripheral values, but can reject them and still function fully as members. Thus, members' degree of conformity to peripheral norms can vary considerably.

The strongest culture organizations, total institutions such as cults and prisons, could embrace pivotal values that are so widely adopted and enforced that they preclude the emergence of peripheral values, and, by implication, subcultures (e.g., O'Reilly & Chatman, 1996; Schein, 1961; Van Maanen & Barley, 1984). Most business organizations, however, do not operate with only one culture (Trice &

Beyer, 1993). A more likely profile is a strong culture firm that emphasizes both a set of pivotal values important to its functioning and identity, as well as a set of peripheral values that are less relevant to each members' or units' functioning. While Schein discussed the role of pivotal values for organizations, he did not consider their potential role in subcultures. We propose that pivotal and peripheral values may be more relevant to some parts of the organization than to others. Specifically, peripheral values may be important to subcultures within an organization while being less essential to the identity and functioning of members of the dominant organizational culture.

At strong culture Johnson & Johnson, for example, widely-shared, intensely-held core values were pervasive across the organization, however individual operating units were given the autonomy to determine how to operate on a daily basis. While the company's credo emphasized customer and employee satisfaction, the operating culture in a new medical products division was distinctly less conservative and more innovative than a more mature product division. In this way, subunits were able to act on the values that were important to them but peripheral to the functioning of the organization, leaving the core pivotal values of the organization intact (Tushman & O'Reilly, 1997: 26-27).

Similarly, in a home health care service organization, Bloor and Dawson (1994) observed that pivotal values included high professional standards and a commitment to client rehabilitation. Social workers within the organization simultaneously embraced core values but also focused on ethical behavior and client advocacy. Because they agreed that the pivotal values were important and the peripheral values they adopted did not interfere with the organization's pivotal values social workers' beliefs did not detract from the strength of the dominant organizational culture. We, therefore, suggest the following proposition regarding the coexistence of strong pivotal and varying peripheral cultural values:

**Proposition 1:** Organizations with strong pivotal values (high agreement and intensity among members) can also sustain peripheral values on which members' agreement and intensity varies.

### **Types of Subcultures and their Likely Emergence in Strong Culture Firms**

The conceptual dichotomy between unitary cultures and those characterized by subcultures may be rooted in the misconception that subcultures always consist of people who oppose the dominant culture

(e.g., Cohen, 1955; Hebdige, 1979; Webster, 1993; Willis, 1993; Yinger, 1970). From its origin in sociology and anthropology, the term “subculture” has been associated with images of deviants, delinquents, gangs, and other nonconformists such as hippies, British punk teenagers, or occult members. Organizational ethnographers have found a variety of types of organizational subcultures, not all of which are based on expressing opposing views (Bloor & Dawson, 1994; Jermier, Slocum, Fry, & Gaines, 1991; Martin & Siehl, 1983; Sackmann, 1992).

Using a parent-child metaphor, Wolfgang and Ferracuti (1970) suggested that a subculture, like a child, could never be entirely different from its “parent,” the larger culture. Instead, because the subculture emerges from the dominant culture's values, some subcultural values may conflict with the dominant cultures' while others may not. Researchers have distinguished between subcultures and countercultures (e.g., Wolfgang & Ferracuti, 1970; Zellner, 1995). Subcultures represent tolerated deviations that do not disrupt the normative solidarity of the larger culture's values. In contrast, members of countercultures hold discordant values and, by virtue of their membership, explicitly oppose certain aspects of the larger culture. Countercultures are, therefore, unacceptable to members of the larger organization.

Recognizing that not all subcultures are countercultures, it is, therefore, useful to distinguish among subculture types. Martin and Siehl (1983) developed a typology of organizational subcultures, including enhancing, orthogonal, and counter cultures, and in which each type exemplified a different level of congruence with the dominant culture's values. Incorporating the notions of pivotal and peripheral values with this subculture typology makes it possible to consider how subcultures can exist in an organization without detracting from the strength of the overall culture. Members of *enhancing* subcultures adhere to dominant organizational culture values even more enthusiastically than do members of the rest of the organization. They agree with and care about both pivotal and peripheral values, consistent with the larger organization's core values. Members of enhancing subcultures' intense commitment to particular peripheral values, that are consistent with those of the overarching culture, distinguishes them as a subculture and from the other two.

Members of *orthogonal* subcultures both embrace the dominant cultures' values but also hold their own set of distinct, but not conflicting, values. They embrace the pivotal organizational values but, simultaneously, hold values that are peripheral to those of the overarching culture. Since the values that differ between orthogonal subculture members and members of the dominant culture are less important to the functioning and identity of the organization than are the pivotal values, the existence of an orthogonal subculture does not threaten the cohesiveness of the overarching culture. Finally, members of a *counterculture* disagree with the core values of the dominant culture and hold values that directly conflict with core organizational values. Counterculture members hold values that conflict with pivotal organizational values and can, therefore, threaten the strength of the overarching culture.

Peripheral and pivotal values vary in terms of their likely adoption in overall cultures versus subcultures, and they may also vary independently of one another because the two kinds of values have distinct qualities and function differently in organizations. One key difference is that peripheral values, contained within subcultures, are more likely to change than pivotal core organizational values. Further, the relative ease with which peripheral values within subcultures can change may provide organizations with the capacity to respond to dynamic environments. First, since core values are tied to an organization's and its members' identities, they are quite difficult to change without substantial resistance (e.g., Ashforth & Mael, 1989; Dutton & Dukerich, 1991; Gagliardi, 1986). Further, internal mobility patterns in organizations, in which people are likely to move across jobs and divisions, make it likely that people ultimately become more committed to their organization over time than to specific subgroups in which they are members for shorter periods of time (Chatman & Cha, 2002). Providing that the majority of subculture members are more deeply committed to the core values of the organization than to the peripheral values of their subgroup (an assumption that may not hold up in all cases, and that we consider below), peripheral values, on which orthogonal subcultures primarily differ from the larger organization, may be easier to change than pivotal values.

Finally, that subcultures are typically smaller makes them more malleable and responsive than an entire organization. Smaller groups are more likely to be given a degree of autonomy that is less viable in

large, centralized organizations. In some cases, smaller groups are associated with being strategically weak and, therefore, not threatening (e.g., Galunic & Eisenhardt, 2001). Indeed, some organizations intentionally keep subunits small in order to stimulate innovation (Tushman & O'Reilly, 1996). The capacity to change and adapt at the subculture level has important implications for organizations that have to respond to the evolving demands of a dynamic environment. We, therefore, propose that,

**Proposition 2:** Peripheral values associated with orthogonal subculture membership are more likely to change over time than are pivotal organizational values.

### **The Paradox of Strong Cultures and Countercultures**

We suggested that enhancing and orthogonal subcultures need not detract from strong organizational cultures and, countercultures, by definition, *do* conflict with the dominant culture. Therefore, countercultures may fail to emerge in strong cultures because the opposition they introduce would weaken a strong culture and would likely stimulate members of the larger organization to defend overarching values. We suggest, instead, that countercultures may well emerge, perhaps for relatively short periods of time, in strong cultures. First, strong cultures can be oppressive. When values are strong, dissent forms in reaction to the imposed values (Bourdieu, 1990; Hebdige, 1979). Brehm's (1966) theory of psychological reactance suggests that when peoples' sense of behavioral freedom is threatened, they may attempt to reassert it through direct or indirect (e.g., vicarious) oppositional behavior. In particular, threatened individuals may develop a greater liking for the behavior that has been restricted.

Second, strong cultures can produce countercultures because, in promoting conformity, small variations in behavior and attitudes become exaggerated (O'Reilly & Chatman, 1996). Even the slightest variation in behavioral norms may encourage in-group distinctions to form (Brewer, 1979). Therefore, those who are at all different may choose to separate themselves from the rest of the organization in order to maintain their beliefs. Those who disagree with the strong culture values may be able to find a pocket of dissent within the organization, that is, a counterculture (Martin & Siehl, 1983). In weaker cultures, dissent is not necessary because there is enough freedom for varied values to emerge without being constrained by a dominant overarching value framework. Thus, we propose that,

**Proposition 3:** Countercultures will be more likely to emerge in organizations with strong overarching cultures than in organizations with weak overarching cultures.

We suggest that strong organizational cultures can produce countercultures, but paradoxically, countercultures may strengthen organizational cultures. Just as values are more salient when they are violated (Kahneman & Miller, 1986), a counterculture's opposition increases the salience of dominant cultural values. Through a process of reflection and comparison with the values of the counterculture, formerly implicit values become explicitly considered and openly debated. This may be likened to the comparison process that is evoked when organizational members are considering whom to hire and how to socialize them (e.g., Sutton & Louis, 1987), and the salience of value differences between merging firms (e.g., Marks & Mirvis, 2001). For example, the recent Hewlett-Packard merger with Compaq focused H-P employees on how consensus driven H-P was, and led them to resist the "cowboy" culture at Texas-based Compaq, where "process is for wimps" (Quinn, 2002: 3).

The presence of a contrary point of view, or, in this case, a contrary set of values, can then strengthen one's commitment to a previously held set of beliefs or course of action (Lord, Ross, & Lepper, 1979). Thus, the salient challenges posed by a counterculture may result in increased resistance by the dominant culture (Staw et al., 1981). This value-reinforcing response is more likely to occur under some conditions than others. Countercultures may be more disruptive, for example, when the organizational environment is unstable and an organization's strategic direction is less clear.

**Proposition 4:** Countercultures may increase non-counterculture members' commitment to the existing overarching organizational culture.

This proposition may be most relevant early on in the life of a new counterculture's existence. If over time, a counterculture proves that its norms and values are superior to those of the overarching culture, the counterculture may gain support and grow in membership. In such cases, countercultures' norms and values may eventually usurp those of the dominant culture. For example, Martin and Siehl (1983) describe how John DeLorean created a counterculture that focused on dissent and independence because he was dissatisfied with General Motors' overarching organizational culture that valued loyalty

and conformity. Through charismatic leadership and vivid storytelling practices, DeLorean was able to convince others that his cultural orientation was superior to GMs'. His counterculture movement gained such tremendous momentum that the counterculture's values were eventually integrated into the dominant culture.

The previous discussion suggests that culture strength may contribute to counterculture emergence. Below we consider a fuller array of factors leading to the emergence of specific types of subcultures as well as their likely consequences in strong culture organizations.

### **How Subcultures Emerge and Change in Organizations**

Most discussions of organizational subcultures assume that organizations operate in stable environments; they place less emphasis on how subculture formation patterns may differ when environments are uncertain or unstable (Rose, 1988; Trice, 1993; Van Maanen & Barley, 1985). We, therefore, consider how a dynamic organizational environment may affect whether subcultures are likely to emerge and change.

Subcultures can form based on a variety of societal, organizational, and individual characteristics. Large, complex organizations are likely to resemble the larger society in which they are situated (Gregory, 1983), and may, therefore, contain many of the same subcultures, or groupings of values, as would be found outside an organization. While the sub-groups found in society may also appear in organizations, a variety of organization-specific subcultures may also emerge. Organizational subcultures may be based on membership in various groups such as departments, workgroups, and teams; levels of hierarchies, such as management versus support staff; professional and occupational affiliations; physical location in the organization; socio-demographic categories such as sex, ethnicity, age, or nationality; informal groups like those formed by friendships; and performance-related variables such as organizational commitment and work performance (Jermier, Slocum, Fry & Gains, 1991; Rose, 1988; Trice & Beyer, 1993; Van Maanen & Barley, 1984, 1985).

Various organizational, group, and individual characteristics contribute to subculture formation, and, given the tradeoffs to individuals of forming subcultures, including the time investment or the risk

involved in looking less loyal to the overarching organization, they are unlikely to join or form subcultures without support from others. We suggest that subculture formation is contingent upon: 1) structural properties that make organizations conducive to subculture formation, 2) group processes that cause individuals to come together to form subcultures, and 3) individual members' propensity to form and join subcultures. We explore each of these factors below.

### **Structural Bases for Subculture Formation**

Certain characteristics, such as organizational size, task differentiation, power centrality, and demographic composition, make some organizations more susceptible to subculture divisions than others. Subcultures are more likely to develop in larger, more complex, or bureaucratic organizations since these organizations are more likely to encompass a variety of functions and technologies (Rose, 1988; Trice & Beyer, 1993; Van Maanen & Barley, 1985). Employees have less contact with one another as organizations grow in size, as distinctions among their tasks increases, and as task interdependence decreases (Koene, Boone, & Soeters, 1997). Similarly, task differentiation is typically associated with different occupational and professional orientations. The existence of distinct professional groups within an organization may encourage subculture formation since professionals in organizations tend to hold values that cut across organizational boundaries but may differ from the values of the non-professionals within an organization (Bloor & Dawson, 1994; Trice, 1993; Van Maanen & Barley, 1984). Thus, subcultures are more likely to form around differentiated tasks, ultimately leading to lower cohesion among organizational members not working on the same tasks.

Subcultures may also emerge in organizations in which power is decentralized. Martin and Siehl (1983) attributed the emergence of DeLorean's counterculture at General Motors to their decentralized power structure while Hage and Aiken (1967) found that more decentralized power was associated with more professional activity and hierarchical differentiation. Similarly, Tushman and O'Reilly (1996) identified decentralized decision-making as important to the autonomy and functioning of organizational subcultures in innovating firms since it enabled members to obtain the resources and autonomy necessary to construct and maintain a subculture. We, therefore, propose that,

**Proposition 5:** Subcultures are more likely to emerge in larger organizations with greater task differentiation, more divisions (functional or product), more groups of professionals, and more decentralized power and decision-making than in smaller organizations with less task differentiation, fewer divisions or professional groups, and more centralized power and decision-making.

Changes in environmental conditions may lead to structural changes that drive subculture formation. As employees within an organization becomes more diverse or tasks become more differentiated, subcultures will be more likely to form. Structural changes resulting from environmental uncertainty, such as decentralization (e.g., Burns & Stalker, 1961), are likely to lead to an increase in subculture emergence. For example, professional groups may be more likely to assert their distinct values when they perceive the organizational environment to be unsettled (Bloor & Dawson, 1994). Although a professional subculture may exist relatively undetected for some time, the degree to which the subculture's values will become articulated is somewhat dependent upon the stability of the organizational context. We, therefore, propose that,

**Proposition 6:** Subcultures will be more likely to emerge in organizations operating in more dynamic than static environments.

### **Group Processes Affecting Subculture Formation**

Subcultures are likely to form among members who interact often and who face similar problems, providing them with opportunities to exchange concerns about the existing culture (Cohen, 1955). Thus, existing organizational groupings, such as work groups, are particularly likely to evolve into subcultures. Subcultures are more likely to form when individuals work together on a task because values may become specific to the task on which the group is focused (Koene, Boone, & Soeters, 1997; Trice & Beyer, 1993; Van Maanen & Barley, 1985). A pre-existing work group transforms into a subculture when members develop and adopt task-specific norms and values. For example, a peripheral overall cultural value that favors individualism may be dysfunctional for a team that requires close, interdependent teamwork to

complete their tasks (e.g., Chatman & Spataro, 2002). Therefore, the team may adopt a different set of more collectivistic values, forming an orthogonal subculture.

Alternatively, a critical mass of similar-thinking individuals could join together to form a subculture. For example, Rose (1988) proposed that when individuals disagree about, or are dissatisfied with, an organization's values, they will form smaller groups comprised of members who agree with one another. In his study of youth gang culture, Cohen (1955) described how dissatisfied youths “shopped around” for kindred souls. A process of mutual conversion occurred gradually as members began subtly expressing their oppositional views to one another. If others supported those views, the conversations between them became more explicit and intense until actors had identified themselves as a group with a subculture, that is, a shared frame of reference that members preferred to the existing cultural frame.

Like-minded individuals are attracted to subcultures in each of these cases for the same reasons: The well-supported similarity-attraction paradigm suggests that individuals would prefer to be around others with similar attitudes, including perceptions of the organization and their jobs (Berscheid, 1985). Therefore, when members of an organization are particularly satisfied or dissatisfied about their organization's values, they may seek the camaraderie of others who share their views. In sum, shared values combine with frequent interpersonal interaction to create subcultures (Braver & Wilson, 1986; Cohen, 1955).

Like structural forces, group forces also change when the environment changes. Task groups, or groups that have a high level of task interdependence and regular face-to-face contact, may be particularly likely to become subcultures during times of organizational uncertainty. First, such groups may find that their values begin to diverge from those held by members of the dominant culture as they respond to the specific changing demands of their task environment. For example, if a group that initially focused on discovering new technology actually identified one that was, subsequently, widely adopted in the market, they might then be asked to make that technology as efficient as possible rather than to continue to discover other new technologies (e.g., Benner & Tushman, 2002). This shift from exploration to

exploitation would clearly require a shift in cultural values (Sorensen, in press). Thus, as a work group's performance expectations and goals change, their values will change as well.

A critical mass of like-minded individuals may also develop in response to unpredictable events as a way for members to maintain a sense of stability. For example, the changing environment that is produced by mergers or acquisitions may result in subculture formation as members of the consolidated firm attempt to cling to their previous firm's values (Nahavandi & Malekzadeh, 1988). We, therefore, propose that,

**Proposition 7:** Work groups operating in more dynamic environments will be more likely to transform into subcultures.

### **Individual Bases for Subculture Formation**

People must be willing to join in order for subcultures to form. However, this should not imply that people necessarily consciously or intentionally choose to belong to a subculture. Instead, people may find themselves to be part of a subculture without making the conscious decision to join. In the previous section on group processes, we described ways that individuals may gradually, and even unintentionally, come together to form subcultures. In this section we discuss the dimensions that are relevant to people's propensity to join subcultures. Three dimensions are likely to be associated with an individual's propensity to join a subculture: (1) psychological reactance; (2) satisfaction with dominant culture values; and (3) commitment to the organization. Each of these has a dispositional and situational component, and we, therefore, treat each factor as an existing psychological state emerging from individual differences or contextual cues.

When people believe that their behavioral freedom has been threatened, they may experience reactance, and are likely to behave in oppositional ways (Brehm, 1966). Reactance can be induced by situations that are perceived to be behaviorally restrictive. This might include a situation in which an authority figure, such as a manager, makes demands on behavior, or in which the normative demands of the situation require high levels of behavioral conformity (e.g., O'Reilly & Chatman, 1996). Thus, strong

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culture firms are likely to induce more behavioral reactance among members than are weaker cultures, consistent with Proposition 3 above.

Further, regardless of contextual factors, some people may be more prone to oppositional behavior and attitudes than are others (Dowd, Milne, & Wise, 1991). Characteristics associated with reactance include a person's tendency to be argumentative, uncooperative, behaviorally deviant, and unwilling to take others' advice or to do as others ask. A person's tendency to behave oppositionally has implications for their propensity to join a subculture. People who are predisposed to non-conformity are more likely to reject strong culture values regardless of their content. Whether situationally or dispositionally based, individuals higher in reactance will be more likely to deviate from an organization's values than will those lower in reactance, and, those who are higher in reactance will be more likely to join a subculture.

A person's propensity to join a subculture may also be determined by their level of satisfaction with dominant cultural values (Martin & Siehl, 1983; Rose, 1988). An extensive literature on the dispositional nature of work satisfaction has accumulated (see Judge & Larsen, 2001 for a review). Researchers have demonstrated that a person's tendency to be satisfied at work is stable over time and across situations; it is positively associated with positive affectivity, self-esteem, and self-efficacy, and negatively associated with negative affectivity, and neuroticism (e.g., Staw, Bell & Clausen, 1986; Staw & Ross, 1985).

A person's satisfaction can also be influenced by the organizational context (e.g., Arvey, Bouchard, Segal, & Abraham, 1989). Through a process of reflecting on and interpreting organizational culture, organization members may perceive contradictions that result in dissatisfaction (Cha & Edmondson, 2001). People are primarily motivated to form subcultures to solve the problems they perceive with the dominant culture (Cohen, 1955). Subcultures allow members to resolve the discrepancies between actual and desired cultural norms by providing a different, more personally satisfying, frame of reference. Thus, being dissatisfied with one's job or organization is likely to increase one's propensity to join a subculture (Rose, 1988). This is consistent with the view that subcultures

develop in response to ideological conflict or even intentional countercultural movements (Trice & Beyer, 1993; Van Maanen & Barley, 1985).

Similarly, employees who believe that the values held by members of their organization are inappropriate to accomplish their goals or drive their organization's success, more generally, may attempt to modify those values (Graham, 1986). Theories of self-justification suggest that disagreeing with an organization's values while continuing to work for that organization is an unstable state; people will be motivated to reduce this dissonance (e.g., Aronson, 1968; Staw, 1977). Joining a subculture comprised of people who share one's values may be one way to resolve such dissonance by providing means to exercise voice, as depicted in Hirschman's (1970) well-known exit-voice-loyalty model.

Levels of individual organizational commitment, or a loyalty toward and identification with one's employing organization (Meyer & Allen, 1991; O'Reilly & Chatman, 1986), may also influence subculture formation. Like work satisfaction, commitment may be partially determined by dispositional traits such as positive and negative affectivity (e.g., Cropanzano, James, & Konovsky, 1993). More commonly, however, commitment has been examined in terms of the organizational context, and members of strong culture firms are more likely to be committed to their organization (Caldwell, Chatman, O'Reilly, 1990; Chatman, 1991; O'Reilly, 1989; O'Reilly & Chatman, 1996). This is particularly true for normative commitment, which stems from a psychological attachment to an organization and involves identifying with and internalizing an organization's values (O'Reilly & Chatman, 1986). As the organization's identity becomes integrated into a person's self view, he or she becomes more committed to promoting the organization's well being, leading strong cultures to grow stronger over time. The link between strong culture firms and compliance-based commitment, or commitment based on instrumental or extrinsic rewards, is less clear (e.g., Meyer & Allen, 1991; O'Reilly & Chatman, 1986).

In sum, we suggested that an individual's propensity to join a subculture increases with higher levels of psychological reactance, and lower levels of satisfaction with pivotal norms and normative commitment to the organization. Essentially, each of these states produces a negative response to the

overarching organizational culture, leading to the desire to belong to a subculture. However, we expect individuals experiencing these negative responses to be more likely to join some types of subcultures than others. Specifically, those who are high in reactance and low in satisfaction and commitment would be more likely to join either an orthogonal or counterculture, rather than an enhancing subculture, since orthogonal subcultures deviate somewhat from the organization's peripheral values and countercultures deviate completely from the organization's pivotal values. People who experience lower levels of reactance and higher levels of satisfaction and commitment may actually be more likely to join an enhancing subculture, which is comprised of individuals who embrace cultural values even more strongly than the rest of the organization. Therefore, we propose that:

**Proposition 8:** People who experience higher levels of reactance and lower levels of satisfaction and normative commitment will be more likely to join orthogonal subcultures or countercultures than enhancing subcultures compared to people who experience lower levels of reactance and higher levels of satisfaction and normative commitment.

Because levels of psychological reactance, satisfaction, and commitment may be partially situationally determined, they may be susceptible to change along with the organizational and normative environment. Changing situational dynamics could moderate a person's dispositional tendency toward reactance and make them behave more or less oppositionally. One of the main reasons that people resist change is that they anticipate losing power (e.g., Frost & Egri, 1991). However, people can view change as a threat or an opportunity. A person's dispositional level of reactance may determine how positively he or she views organizational change in response to a dynamic environment. Those members of organizations facing more dynamic environments who are prone to reactance may be more likely to perceive that previously held freedoms are threatened. In contrast, those who are less prone to reactance may view changes as opportunities that actually liberate them to take certain desired risks. We, therefore, propose that a person's tendency toward reactance will moderate their reaction to dynamic environments, and, specifically, their propensity to join a subculture.

Like reactance, satisfaction levels are susceptible to change along with the organizational and normative environment. Values are more likely to shift among organizations facing dynamic environments. These shifts are likely to influence members' satisfaction with organizational values. In a longitudinal study of research and development firms, Hall and Mansfield (1971) found that environmental change and satisfaction were related. Members' job satisfaction and job identification decreased in response to cutbacks in available financial resources provided by U.S. government funding. In another longitudinal study, organizational change *increased* nursing educators' satisfaction with their jobs (Bojean et al., 1982). People's perceptions of whether changes are positive or negative will influence whether they join subcultures in response to dynamic environments.

A person's commitment may be as susceptible to change from outside forces as is their reactance and satisfaction. Since normative commitment is highly dependent upon a person's identification with and attachment to the values of their subculture and the organization, their level of commitment may change if organizational values change in response to external contingencies driven by a dynamic environment. For example, Jones (2000) described how changes in the task environment stimulated subculture emergence in a domestic appliance factory. When a new managing director eliminated the use of scientific management practices in favor of more modern human resource management techniques, a group of former engineers, who continued to be personally committed to the old way of doing things formed their own subculture. As a result of the organization's attempt to adapt to a new environment, these members relocated their commitment from the organization to their subculture.

People's experiences with changes in the organizational environment may moderate their pre-existing levels of reactance, satisfaction, and commitment to produce changes in their tendencies to join subcultures. When people perceive changes as negative they may be more likely to join orthogonal subcultures and countercultures and less likely to join enhancing subcultures (and vice versa for positive changes). Whether or not changes are perceived as positive or negative is partially determined by pre-existing levels of psychological reactance, satisfaction, and commitment. Therefore, we propose that:

**Proposition 9:** Peoples' levels of dispositional reactance, satisfaction with changes, and commitment to the organization will moderate the relationship between environmental dynamism and their propensity to join a subculture. Those high in reactance, those who perceive changes as dissatisfying, and those who are highly normatively committed will be more likely to join an orthogonal subculture or counterculture when their organization experiences a more dynamic environment while those whose dispositional reactance is low, those who perceive changes as satisfying, and those who are less normatively committed will be similarly less likely to join these subcultures regardless of the level of environmental dynamism their organization faces.

### **Consequences of Subcultures for Strong Culture Organizations**

Having identified various types and features of subcultures, the conditions under which they are likely to emerge, and the individual characteristics that might compel a person to join a specific type of subculture, we are now in a position to consider the impact subcultures may have on the organizations in which they exist. Researchers have speculated about whether subcultures are beneficial or detrimental to organizations (e.g., Galunic & Eisenhardt, 2001; Meyer, 1982; Tushman & O'Reilly, 1996). For example, Van Maanen and Barley (1985) characterized subcultures as containing seeds of conflict; this conflict may emerge when members of differing cultures are forced to confront one another. Similarly, Gregory (1983) noted that ethnocentrism operated in multicultural organizations; members of subcultures perceived things only from their cultural perspective, also perpetuating conflict. Hofstede (1998) did not specify whether subcultures were inherently good or bad for organizations, but suggested that managers' lack of awareness of existing or potential subcultures can be damaging since subculture formation provides information about employees' perceptions about the organization.

We suggest that subcultures can both weaken an organization's culture or provide important benefits to strong culture organizations, particularly those operating in dynamic environments. Organizations facing dynamic environments are "breeding grounds" for subculture emergence. Members of strong cultures may more vehemently resist change, and change within strong culture organizations induces major conflict and dissent. Subcultures can absorb this conflict and dissent while leaving the

overarching values of the organizational culture intact. Subcultures may, therefore, serve as mechanisms to contain conflicting priorities that may otherwise be widespread and potentially more difficult to manage at the organizational level (Meyer, 1982). Strong culture organizations can consider the benefits of alternative values and approaches that the subculture presents without destabilizing the entire organization.

In this way, subcultures may offer a way for strong culture organizations to remain flexible enough to change and adapt to external contingencies. This is an enormous benefit considering how difficult it is for strong culture organizations to innovate, as some say, squelching creativity by encouraging conformity of thought and behavior (e.g., Nemeth & Staw, 1989). We suggest that strong cultures can also foster innovation by stimulating subcultures of creativity, or subcultures in which creativity is the central value. That is, subcultures can develop in response to constraints imposed by the strong values of the larger organizational culture. At the same time, subcultures can serve as containers of creativity in which ideas can formulate relatively independently of the constraints or influences of the strong culture (Martin & Siehl, 1983). The idea that creativity flourishes only in isolation of strong organizational pressures is not new (e.g., Galbraith, 1982). But subcultures provide an additional advantage to managing innovation because, while they are separate enough to allow creativity to flourish, they are also still part of an organization. If successful innovation requires both coming up with creative ideas and getting them implemented (Caldwell & O'Reilly, 1995; O'Reilly & Flatt, 1986), subcultures may provide a place for creativity to grow as well as a way to coordinate with members of the dominant culture to implement the ideas (Kanter, 1988). Subcultures can make this seemingly contradictory pair of requirements possible because they are both somewhat removed from strong culture norms and, at the same time, connected to the larger resources and coordination capabilities of an organization.

Tushman and O'Reilly observed ambidextrous organizations containing multiple cultures and characterized them as being simultaneously tight and loose; they had strong, consistent cultures across the entire organization, but allowed for "appropriate variations to occur across units" (1996: 27). These organizations were successful because of their normative structure in which the strong overarching

cultures allowed for trust and predictability, and promoted information and resource sharing, while their subcultures provided flexibility by allowing each business unit to determine how best to innovate. While the subunits had enough autonomy to innovate in their own way, they were still part of a larger organization that was unified and capable of implementing their new ideas. Thus, we propose that,

**Proposition 10:** Strong culture firms that allow subcultures to emerge will be more innovative than strong culture firms that prevent subcultures from emerging.

### **Implications and Conclusions**

We explored the relationship between strong organizational cultures and subcultures in dynamic organizations. We suggested that, although strong culture organizations and their associated stability generally enjoy better performance than do weaker culture organizations, strong culture organizations are not as adaptive as may be necessary for their long-term survival, particularly those facing dynamic environments. We suggested that strong culture firms might become more agile by allowing subcultures to emerge. In some ways, our theory of subcultures can be compared to Ashby's (1956) law of requisite variety in the organizational strategy domain. He proposed that organizations with more variety are better equipped to respond to a complex environment. We propose that norm variation, generated by subcultures characterized by creativity, can similarly foster innovation and adaptation to dynamic environments. In addition to generating norm variation, our view of subcultures focuses on the relationship between subcultures and strong culture organizations for making an organization more agile.

We suggested that, in contrast to the popular notion that strong organizational cultures may preclude subcultures from emerging, strong cultures may actually sew the seeds of subculture emergence. Following Martin and Siehl (1983), we distinguished between different types of subcultures that vary in terms of the extent to which members agree with overarching cultural values. Extending Schein's (1988) ideas about organizations having pivotal values that are critical to the organization as well as peripheral values that are desired but not essential, we suggested that peripheral values can vary at the subcultural level without negatively affecting the organizations' pivotal values.

We then turned to the causes for subculture emergence and considered various individual, group-level and structural bases for subculture formation. In addition, we speculated about how these factors may change in dynamic environments. We proposed that subculture emergence, as well as changes in subculture membership and prominence, would be more frequent in organizations facing dynamic environments. Finally, we depicted subcultures in strong culture organizations facing dynamic environments as receptacles for dissent and potential sources of creativity and flexibility. More specifically, agile organizations may contain subcultures that generate creativity within a strong overarching culture, and foster the innovation that is critical for them to survive in dynamic environments.

Though we have only provided one perspective on the role of subcultures in agile, strong culture organizations, many more perspectives and issues might be considered in future research. For example, specific values or norms are likely to be associated with the emergence of certain types of subcultures. Specific bases for subculture formation (functional departments, demographic differences, friendships, etc.) may, likewise, influence the type or content of subculture formation. For example, orthogonal subcultures may be more likely to form around departments or other functional work divisions since these emphasize specific work-related values, while countercultures may form around union affiliation since it has historically been associated with animosity toward management.

Researchers might also distinguish organizations that allow subcultures to emerge from those that prevent subcultures from emerging. Particular organizational forms or stages of organizational growth may be associated with subculture emergence. Are subcultures more common in start-ups or well-established firms? Further, characteristics of the task environment may influence the ways subcultures form and interact with the organizational culture, such as the degree to which tasks are aligned with the goals of the organization, or the types of tasks being performed. Finally, industry or market-level factors should be considered. For example, subculture formation may be affected by labor market conditions. Dissatisfied people may leave a firm rather than form or join a subculture when exit options are plentiful, and, likewise, they may form or join countercultures when exit options are more constrained. Orthogonal cultures may form when countercultures are too risky for individual members. Finally, researchers might

consider the temporal nature or typical lifecycle of subcultures including when a subculture is likely to form, thrive, decline, and dissipate, particularly in relation to an organization's lifecycle.

Our objective in this chapter was to develop an agenda for subculture research. As such, we may have raised more questions than we answered. But, we hope that we have contributed to greater mapping of the relevant terrain to understand the role of subcultures in strong culture organizations.

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