Organisational culture

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From an academic perspective, we can look at the way Edgar Schein, a former professor at the MIT Sloan School of Management, defines organisational culture as 'a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way you perceive, think, and feel in relation to those problems'. Personally, my favorite definition would be the famous one-liner by Deal and Kennedy - 'the way things get done around here' which basically explains it all.

Suppose, you join a new organisation at the top management level. You start by studying hard numbers (revenue, net income, profitability ratios, etc.) but don't get too bogged down there. The most important aspect of the organisation a leader must realise is the culture of that organisation. That is easier said than done, as always. The most powerful people in the organisation are not necessarily the top position holders, fortunately or unfortunately. People exercise unofficial powers through informal groups, grapevines and personal relationships nurtured through all their corporate lives. The corporate world is, after all, a human world. Harvard Business School studies proved that not the CEO or management committee, the informal webs are increasingly running the organisations and building its core values.

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Once you understand the salient features of the prevailing culture, there is really no point ignoring, denying or even fighting it. You embrace the strong points and encourage people to continue those angles of the 'how we do things'. You identify the weak points; be very sure that your list of weak points will most likely not match with any other top manager's list as this is again shaped by personal traits and values. What next? Replace the weak features with best practices shared by other organisations and reward people accordingly. Once you establish the right culture into place, the business results will follow suit automatically with lesser efforts. In the process, there will always be a group of early adopters and a group resistant to change. Dealing with them in the right manner without creating a wholesale hue and cry is the challenge of the leader.

There was an old research done by NASA, the findings of which still hold. *"The stereotypical take-charge "flyboy" pilots, who acted immediately on their gut instincts, made the wrong decisions far more often than the more open, inclusive pilots who said to their crews, in effect, "We've got a problem. How do you read it?" before choosing a course of action." [What's needed next: A Culture of Candor by James O'Toole and Warren Bennis]*. The findings also suggested that *"The pilots who'd made the right choices routinely had open exchanges with their crew members."* It shows that top-down organisational leadership/culture is a must-have in these days, but it should also empower the management and incorporate the employees' perspective. The organisations that trusted and empowered its employees reaped those benefits in crucial times.

In 2009 when most companies with business in the USA were trying to tackle the toll of recession, they had to go for a mass lay-off, be it gradual or one-time, raising the rate of unemployment drastically year on year. What amazed me was that Hewlett-Packard opted for a pay cut at all levels to save a portion of the employees from lay-off. They were very open about it to the employees and also to the media. The CEO sent a memo to all employees explaining what percentage of the cut will take place at what level. This is not the first time in history that HP has gone for such measures, it has happened in the past as well. Such is the beauty of the culture, sustained over decades and survived change in management.

Back in Bangladesh, Standard Chartered acquired ANZ Grindlays bank in 2001. ANZ was the largest foreign bank, while StanChart was the smartest bank around. Seniors, therefore, termed this as 'merger of equals' instead of acquisition. The CEO came from ANZ, while client relationship head, risk head, corporate affairs head, and chief financial officer came from StanChart, and the rest stalwarts came from the ANZ background. The initial one year was spent integrating the hearts of the people, clients and ensure regulatory compliance. Though looked alike, two institutions were so different in their core culture. A lot of people, waited for options to exit, instead of taking the trouble to 'gel' together. Consumer bank head was the first, client relationship head the second. By early 2003, the combined bank saw almost a new management team, all the stalwarts gone.

Citibank NA, another leading US banking giant, decided to give a chance to 'change' to focus more on revenue, branding and client delight. A dream team was built up, under direct sponsorship of the seniors in India, Hong Kong and New York. Existing people felt somehow overridden. Clients grew, revenue multiplied, all stakeholders started to appreciate the visibility brought in through all the right works. But the disconnect in chemistry between the old guards and new ones, never got narrowed, though was submerged for the time being. It was almost after 10 years all the 'change drivers' found them in orphanage, while most of the sponsors were gone due to North America meltdown. Hardcore people got into the command and the outcome could be well guessed - all the brand builders gone and 'aboriginals' took back the command for Bangladesh franchise.

Organisations are supposed to have distinct culture, vision and mission, so that they can be differentiated from each other and carry the legacy for many years. Any organisational changes, therefore, must focus on encouraging engagements, commitment to the success of people and most importantly meant for everyone involved. The leader here should be able to take the majority together with clear visibility about destination.

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Chinese consumers altering luxury goods landscape

REUTERS, *Hong Kong*

Advertising executive John Kwok recently spent thousands of dollars on a traditional-style Chinese jacket at luxury retailer Shanghai Tang's Pedder Street store in the heart of Hong Kong's business district.

Shoppers such as Kwok represent the future for Chinese luxury goods buyers, seeking out goods that emphasise China's culture rather than just the Western heritage and exclusivity that have proven so effective to date, industry experts say.

"You can't find anything similar at other international labels," said Kwok, describing his Shanghai Tang purchase. "It's not about price, but availability."

Across from Pedder Street, at the upscale Landmark shopping mall, brands such as Gucci and LVMH vie for Chinese shoppers, whose appetite for luxury goods is expected to make China the world's biggest luxury market within five years.

Brands such as Shanghai Tang, part of Richemont Group, and Hermes, which launched its China-focused label Shang Xia late last year, may have a head start in meeting changing appetites, analysts say.

Local brands such as jeweller Qeelin, crowned the "Tiffany's of China," meanwhile, are gaining in popularity.

"The importance of Chinese customers is critical, so it's not surprising that more brands are starting to think about not only managing their footprint and marketing, but products," said Yuval Atsmon, a consultant at McKinsey & Co in Shanghai who advises on China consumer retail practices.

"Designs are to be more tailored to Chinese consumers and the best example of the move is Hermes launching Shang Xia," Atsmon said.

REUTERS

Shoppers walk past a Louis Vuitton store in Shanghai.

While Hermes has first-mover advantage with Shang Xia, which means "up down" in Mandarin, China's increasing rate of urbanisation, disposable income and well-informed luxury consumers illustrate the opportunities that still exist, says Brenda Wang, founder of Hong Kong-based consultancy BrandXcel, which advises luxury and fashion brands planning to enter the Chinese market.

More than 100 second-tier cities have populations with more than 1 million people and consumers in these cities have both the buying power of their tier-one peers and an interest in luxury brands, according to a report by PricewaterhouseCoopers.

China's consumption of luxury goods is forecast to grow 18 percent annually to about $27.51 billion by 2015, from about $12.23 billion in 2010, according to McKinsey.

The typical luxury consumer in China has an average age of 39, is exposed to an international lifestyle and is increasingly proud to be Chinese, Wang said.

"With these dynamics in play and in particular for those sophisticated consumers who seek to feel unique rather than regard luxury as a show of wealth, embracing a unique and differentiated brand of the highest quality and craftsmanship are more important factors than country of origin," she added.

Others in the industry maintain that the "heritage" of Western brands still appeals to Chinese consumers. This has led some Chinese companies to seek out and acquire Western brands to add to their stable of product lines.

"Luxury means heritage and it takes generations to build heritage," said Sunny Wong, managing director of Hong Kong-based Trinity Ltd, which is looking to acquire high-end European clothing brands.

"The Chinese customers want heritage brands -- they want the story, they want the history."

Local brands are tapping into growing demand for goods that have "Chinese DNA" or promote local culture and design.

"Local designers are definitely seeing more opportunities as big brands look for local talent for an input of Chinese flavour," said Eric Pang, whose Sugarman brand with its colourful duckie logo T-shirts and children's shoes have become a big hit in Hong Kong.

Pang, speaking from his shop in iSquare, a new landmark for trendy brand names in Hong Kong's prime shopping district Tsimshatsui, said Sugarman sales have been growing at a rate of 70-80 percent annually. He founded Sugarman in 2006 because of the limited choices in that market segment and said customers were willing to pay a high premium for good quality products.

Other home-grown, high-end brands include Qeelin and fashion labels Blanc de Chine and Ne Tiger, which some analysts say can arguably claim to be one of the first Chinese luxury brands.

"This part of the world is becoming the center of the economic strength of the world," said Shanghai Tang's executive chairman, Raphael le Masne de Chermont, at an event in Singapore last month. "Why on earth should it keep on absorbing creations from the West and not invent its own?"

Shanghai Tang plans to open 10 stores in China over the next year and has about 16 stores now.

And just as Shanghai Tang was acquired by Richemont, other successful local brands could become acquisition targets for retailers expanding in China or they could potentially follow their Western peers and list on the Hong Kong stock exchange.

Italian fashion house Prada is seeking to raise as much as $2.3 billion through a Hong Kong IPO this year, with the Asia-Pacific region its fastest-growing market.

The challenges for home-grown brands are significant: competition for talent, problems with fake goods or pirated designs and the dominance of the big global brands. Louis Vuitton, Chanel and Gucci were the three most desired brands in China last year, according to a survey by Bain & Co.

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