# *The Role of Corporate Culture*

The purpose of this presentation is to analyse the impact of Organisational Culture on Organisation Performance and to identify techniques which will enable organisations to develop a Culture that will contribute to sustainable improved performance.

AGENDA

The Latest Flavour of the Month?	One Right Culture?	Can We Change our Culture?	A Model for Reshaping Culture

- What is Organisational Culture?
- What is the link between Culture and Performance?

- How can we identify our Culture?
- What should our Culture be?

- Should Cultures be changed?
- What do we need to do to change?

- What process can we adopt to reshape our Culture?
- What lessons have we learned?

The Latest Flavour of the Month?
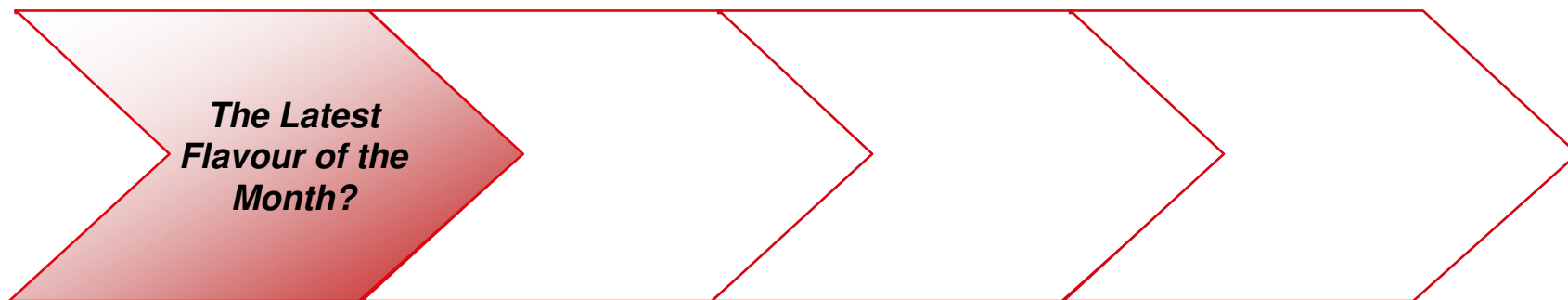
Our observations on Organisational Culture are primarily anecdotal - based on consulting to organisations in Australia and overseas - and not just the result of formal research or studies. In our experience, irrespective of the size, age, industry or sector, culture is central to performance and success of organisations.

OBSERVATIONS ON CULTURE

- ❑ In every organisation, the singularly most powerful factor of organisational success

- ❑ Central to the formulation as well as to the implementation of Strategy

- ❑ Typically responsible for the extent to which organisational goals are achieved in practice

- ❑ Can be a problem in dealing with problems, or a problem in its own right

- ❑ Key question: "do we change our culture to fit our strategy or change our strategy to fit our culture?"

- ❑ An organisation's culture is not determined by fate. It is formed and shaped by the combination and integration of everyone who works in the organisation - and particularly top management.

The problem with culture is that although it is omnipresent and its influence on the functioning of organisations is central, it is difficult to identify and grasp. Definitions of it tend to be vague. Culture is nowhere precisely described, and it also includes taboos: values that people respect, but about which they do not normally talk and sometimes resent talking. Culture typically evolves over time and often develops unconsciously.

WHAT IS ORGANISATIONAL CULTURE?

❑ "A system of collectively shared values, beliefs, traditions and behavioural norms unique to an organisation"

❑ "The set of shared, taken for granted implicit assumptions that a group has about how work is to be done and how to interact with others"

❑ "An interdependent set of values and behaviours that are common to an organisation"

❑ "The way we do things around here"

In spite of the difficulty in precisely defining the term culture, most successful executives appear to have a strong intuitive grasp of what culture is. In practice, culture manifests in numerous ways within organisations...

HOW CULTURE MANIFESTS

- How to dress

- Punctuality

- Organisational image

- Decision making processes

- Attitudes to risk

- Identification with the organisation

- Management Style

- Respect for seniority

- Circulation and sharing of information

- Promotion policies and practices

- Ways of handling conflict

- Formal and informal Organisational Structure

- Internal politics

- Communication patterns

- Socialisation patterns

Partly due to problems associated with measurement and evaluation, very little empirical research has been conducted in the area of organisational culture. Notwithstanding this, a number of landmark studies have underscored the direct correlation between "appropriate" culture and superior performance. The findings of these studies clearly indicate that successful organisations tend to have strong cultures which are appropriate to their particular industry and competitive environment.

CULTURE AND PERFORMANCE

STUDY	SCOPE	FINDINGS
Kotter & Heskett (1977-1988)	207 Companies, 22 industries	Significant relationship between culture and long-term financial performance
Munter, et al (1981 - 1987)	764 Companies - range of industries	Strong association between culture and profitability, quality, sales growth and customer satisfaction
Barnlund, DC (1989)	Study of mergers	Frequent failure due to incompatible cultures
Reeder, JA (1987)	• Performance and voluntary turnover for a sample of 904 accountants • Organisation commitment of 80 Australian manufacturing organisations • Innovativeness, work avoidance and voluntary turnover of 4,890 employees in a range of organisations	Culture instrumental in superior performance
Peters and Waterman (1982)	"In Search of Excellence"	Dominance and coherence of culture an essential quality of excellent organisations

The impact of Culture on the "bottom line" of most organisations is not overt. This may explain why it is not always taken seriously by some managers. Certain kinds of culture can boost performance while other cultures tend to undermine it. In all cases, the reality is that the effect of culture on performance is considerable - both in the long-term as well as the short-term.

CULTURE IMPACTS THE BOTTOM LINE

Why is it Important to Me?

More Time	Reduced Conflict	Focused Priorities

"How can I sell this to the staff?"

"What is my power base and how will I protect it?"

*"What are the **real** issues facing the organisation and how will we need to change?"*

- Time consuming
- Marketing and Selling
- Industrial unrest

- Internal Politics
- Looking good rather than being good
- Attitudes to risk
- Promotion policies and practices

- Contestability/Competition
- Outsourcing
- Cost Reduction
- Productivity
- New Services and Markets

The stronger the corporate culture, the less an organisation uses policy manuals, organisational charts, reliance on job descriptions, and detailed rules and procedures to enforce discipline and norms. The reason is that the culture clearly conveys what everybody is supposed to do in most situations. Often, poorly performing organisations also have strong cultures. The difference is that these cultures focus on such things as internal politics or operating by numbers as opposed to emphasising customers and the people who make the product or provide the service. The most typical values in strong-culture and high performing organisations are directed toward customers and markets.

STRONG CULTURES

- A belief in being the best

- A faith in the ability of employees to make a strong, positive contribution

- A belief in continually identifying and satisfying the needs of customers

- Recognition that economic growth and profits are essential to the organisation's survival

- A reluctance to "rest on their laurels"

- A belief in the importance of the details of execution

- A belief in inspiring the best of people, whatever their ability

- A belief in the benefits of informality to enhance communication

Similarly, organisations with weak cultures lack some or all of the characteristics of their stronger counterparts:

WEAK CULTURES

- ❑ No clear values or beliefs about how to succeed in their business

- ❑ Many such beliefs but cannot agree on which are most important

- ❑ Different parts of the organisation have fundamentally different beliefs

- ❑ The left hand doesn't know or doesn't care what the right hand is doing

One Right
Culture?

Culture has a very strong influence on an organisation's behaviour over time. And that influence is predictable. CEOs and senior managers can read culture for early warning signals of people out of synch with the aims of the organisation. Surprisingly much can be learned in a limited amount of time about an organisation's culture by recognising the subtle and not so subtle clues.

LEARNING TO READ CULTURES

❑ How consistent is the physical setting?

❑ What does the organisation say about itself?

❑ How do people spend their time?

❑ What is the career path and progression of employees?

❑ How long do people stay in jobs?

❑ What is being discussed or written about?

❑ What are the significant "War Stories"?

❑ To what extent is the organisation inwardly directed?

❑ Is the organisational focus short-term or long-term?

❑ How is morale?

In any organisation there are likely to be strong variations in the behaviour of different parts of the organisation. Different functions, business environments, competitive situations, ages and occupations will result in different sub-cultures within the same organisation. The existence of sub-cultures in and of themselves is no cause for immediate alarm. However, these natural cultural differences have the potential to become problems for the larger organisation culture. There are several trouble signs to watch for......

SUBCULTURES

❑   When cultures become ingrown

❑   Where sub-cultures clash

❑   When sub-cultures become exclusive

❑   When sub-culture values pre-empt shared organisational values

Balancing the legitimate differences of sub-cultures with the legitimate and desirable elements of the overall corporate culture is one of the trickiest parts of diagnosing and managing culture. At a minimum, managers must know what is happening in existing sub cultures and be alert to new ones that may emerge.

Organisational Culture can be better understood when viewed in terms of two dimensions, Sociability and Solidarity. Sociability is a measure of sincere friendliness, goodwill, trust or close relations among members of the organisation. Solidarity is a measure of the commitment of employees to pursue shared objectives quickly and efficiently regardless of personal ties. Both Sociability and Solidarity have potential benefits and costs associated with them.

AN APPROACH TO IDENTIFYING CULTURE

DIMENSION	POTENTIAL BENEFITS	POTENTIAL COSTS
Sociability	• Enjoyable work environment • Contributes to high morale • Fosters teamwork • Encourages creativity • Information shared • Open to new ideas • Out-of-the-box thinking	• Poor performance tolerated • Exaggerated concern for consensus • Best compromise not best solution • Encourages cliques and informal networks
Solidarity	• Generates high degree of strategic focus • Swift response to competitive threats • Intolerance of poor performance	• Unquestioning • Co-operation based on 'what's in it for me?" • Turf battles and politics common

When Sociability is plotted against Solidarity, the result is four generic types of culture. None of these cultures is "the best". Each is appropriate for different business environments. Our task is to know how to assess our own culture and whether it fits our strategy. Only then can we consider transforming it.

ASSESSING OUR OWN CULTURE

High

SOCIABILITY

NETWORKED	**COMMUNAL**
FRAGMENTED	**MERCENARY**

Low

Low   High

SOLIDARITY
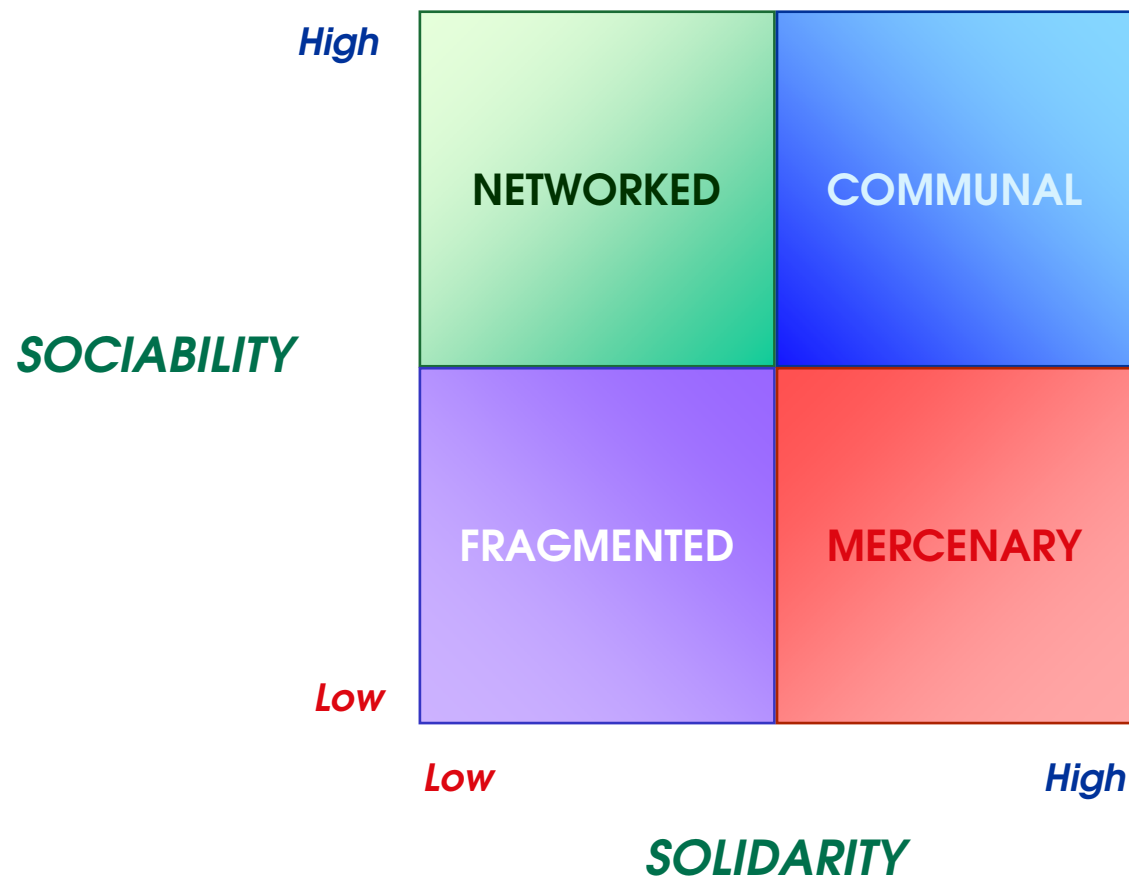
Each of the four cultural types have common characteristics. Recognising these characteristics within our organisation is a necessary first step in diagnosing our culture or subculture.

CHARACTERISTICS OF THE CULTURES

THE NETWORKED ORGANISATION (High Sociability, Low Solidarity)	THE COMMUNAL ORGANISATION (High Sociability, High Solidarity)
• Informality • Lack of hierarchy • Flexibility • Able to collect and disseminate soft information • Ability to acquire sponsors or allies • Lack of cooperation (due to low solidarity) • Political - much time spent on personal agendas • Difficult to agree on priorities • Little commitment to performance measures, procedures, rules and systems • The quadrant that many organisations migrate to over time	• Typically small, fast growing, entrepreneurial start-up firms • Also mature organisations with very long-term employees • Extremely high consciousness of organisational identity • Equitable sharing of risk and rewards among employees • Leaders enjoy widespread respect and loyalty • Mission statement generates enthusiasm • All employees very clear about their competitors • Suited to religious, political or civic organisations
THE FRAGMENTED ORGANISATION **(Low Sociability, Low Solidarity)**	**THE MERCENARY ORGANISATION** **(Low Sociability, High Solidarity)**
• Low consciousness of organisation membership • Identification with professional/occupational groups • Secretive about projects and progress • Sabotage work of colleagues • Rare agreement organisational objectives, critical success factors and performance standards • Low attendance at discretionary social functions • Individuals prefer to work alone and to keep their work and personal lives totally separate • Not a popular culture to work within	• Able to respond quickly and cohesively to a perceived opportunity or threat • Priorities decided swiftly • Clear separation of work and social life • Intolerant of poor performance • Limited long-term loyalty • Disinclination to cooperate, share information or exchange ideas • Hard-nosed "Wall Street" style

Classification of cultures into four generic types implies there is one ideal culture towards which we should strive. This model for analysing cultures however, suggests there is no "golden" quadrant that guarantees success. Change and complexity arising from changing organisational life-cycles, competition, industry structure and technology requires that the challenge facing us is to adapt the culture to fit our particular business environment. Each type of organisational culture has its most appropriate time and place.

IF THE CULTURE FITS, WEAR IT

NETWORKED CULTURES	COMMUNAL CULTURES	FRAGMENTED CULTURES	MERCENARY CULTURES
• Strategies have a long time frame • Knowledge of the peculiarities of local markets is critical to success • Where corporate success is an aggregate of local success - Sheltered Workshops - Not-for-Profit organisations - Small Businesses	• Innovation requires elaborate and extensive teamwork across functions and locations • "Difficult" (open-ended, emergent) strategies - going global - mergers - acquisitions - relocation • (Truly) dynamic and complex business environments - information technology - telecommunications - pharmaceuticals	• Little interdependence in work tasks • Innovation is the product of individuals rather than teams • Few learning opportunities between individuals or when professional pride prevents knowledge transfer - Universities - Consulting organisations - Law firms	• Fast and rampant change • Clear and measurable corporate goals and little need for rank and file input or consensus building • Where the nature of the competition is clear and seen as "the enemy" - Merchant Banking - Media Industry - Personnel Agencies

Can We Change our Culture?

*For most organisations, change is going to continue to be a fact of life. In our experience, changing culture is the difficult part of change. In order to achieve change, we need to recognise that we will have to wrestle with our culture. In virtually every consulting assignment we have been involved with, we have come to recognise that culture is **the** barrier to change.*

RESISTANCE TO CHANGE - THE ROLE OF CULTURE

Resistance to Change

- ❑ An individual predisposition towards change

- ❑ Surprise and fear of the unknown

- ❑ Climate of mistrust

- ❑ Fear of failure

- ❑ Loss of status and/or job security

- ❑ Peer pressure

- ❑ Disruption of cultural traditions and/or group relationships

- ❑ Personality conflicts

- ❑ Lack of tact and/or poor timing by management

- ❑ Non-reinforcing reward systems

The stronger the culture, the harder it is to change. Yet changing circumstances can push even a strong culture into poor alignment with its environment. Change is often necessary for survival. Clearly, the question is not whether or not we should change our culture, but how we can do so!

SHOULD WE CHANGE OUR CULTURE?

❑ Culture causes organisational inertia

❑ The brake that resists change

❑ Precisely what culture should do

❑ Protection from ad-hoc responses to fads and short-term fluctuations

How should we determine when to take on the challenge of changing the culture and when to back off?

Our experience suggests at least five situations in which top management should consider the reshaping of a culture as something close to its most important strategic priority.

"IF IT AIN'T BROKEN..."

- ❑ When confronted with issues that have never needed to be addressed before (eg Competition, Contestability, Downsizing, Budgetary cuts, Revenue generation)

- ❑ Where the organisation is seeking to diversify or rationalise its client base or service mix

- ❑ Where morale is low or scepticism is high

- ❑ Where there is a lack of teamwork or when potential synergies are not being realised

- ❑ Where the Chief Executive feels frustrated

In most other situations, large scale cultural change should simply not be undertaken

A common question we encounter is, "How do we change our culture from one type to another without wreaking too much damage?" Our response is to focus on the dimensions of sociability and solidarity. Clearly, the tools required to manipulate each dimension are different and using them involves understanding why a culture has taken its current form in the first place.

HOW TO RESHAPE OUR CULTURE

SOCIABILITY

Networked   Communal

←——————————————————→ SOLIDARITY

Fragmented   Mercenary
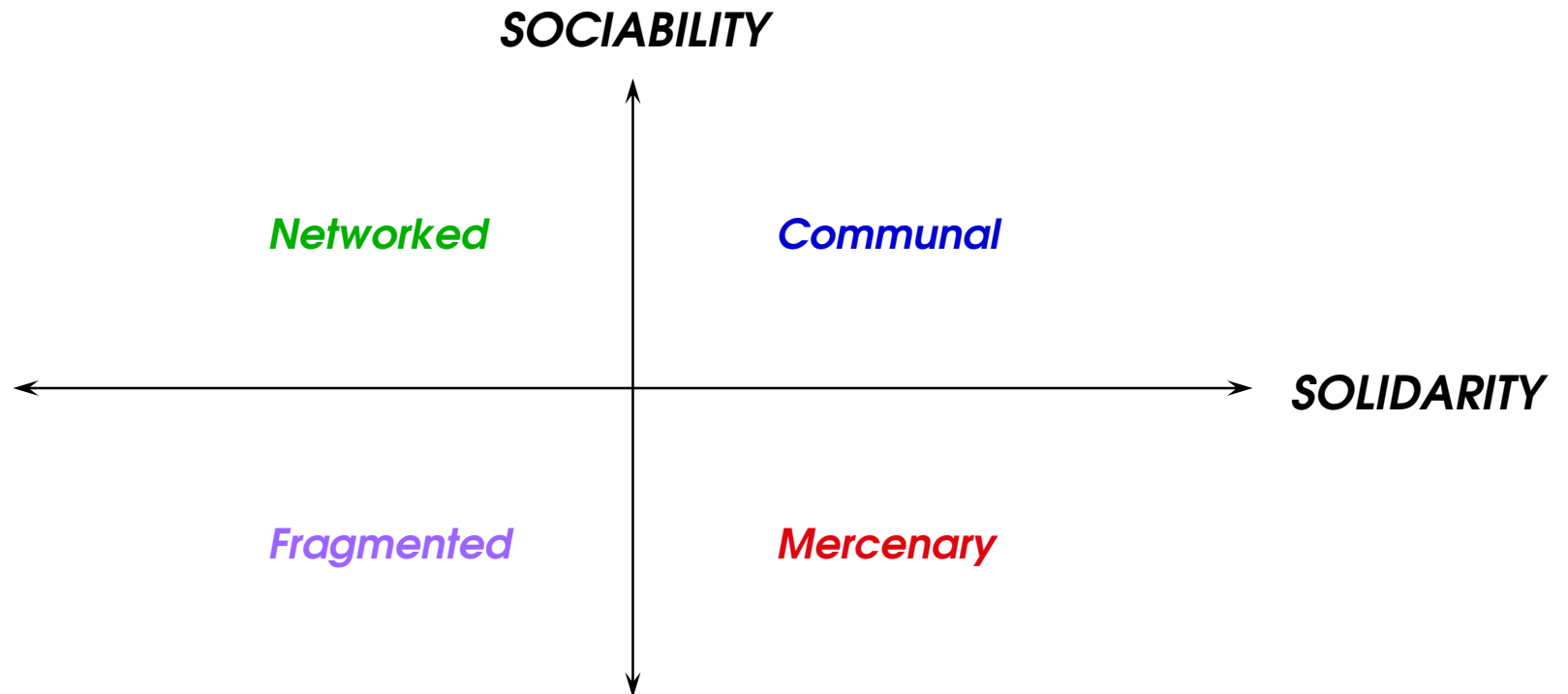
Before attempting to change levels of sociability or solidarity, we need to think like a doctor taking on a new patient. The patient's past and current conditions are not only relevant but also critically important to assessing the best future treatment. Our experience suggests that to increase Sociability, managers can take five key steps...
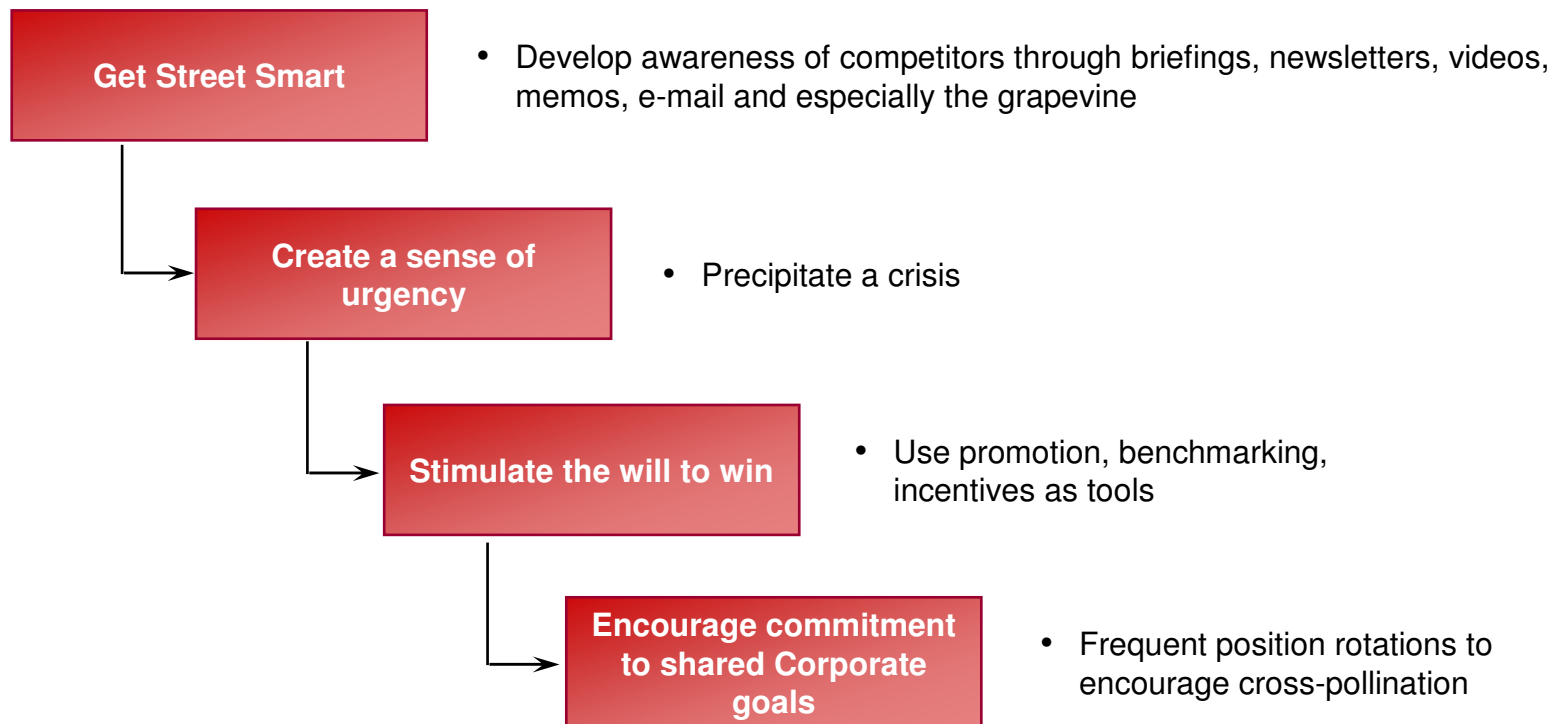
INCREASING SOCIABILITY

Create people in your own image

- Promote the sharing of ideas, interests and emotions by recruiting compatible people - people who naturally seem likely to become friends

Foster socialising

- Increase social interaction among people by arranging casual gatherings inside and outside of work

Encourage informality

- Reduce formality between employees

Limit hierarchical differences

- Consider reorganising or restructuring

Treat other people......

- Act like a friend yourself

Similarly, there are four key steps to building Solidarity...

INCREASING SOLIDARITY

Get Street Smart

- Develop awareness of competitors through briefings, newsletters, videos, memos, e-mail and especially the grapevine

Create a sense of urgency

- Precipitate a crisis

Stimulate the will to win

- Use promotion, benchmarking, incentives as tools

Encourage commitment to shared Corporate goals

- Frequent position rotations to encourage cross-pollination

A Model for Reshaping Culture

Successfully managing culture is one of the toughest challenges facing management. All too often the need to change culture is recognised but regarded as too difficult. Nevertheless, pressures acting upon the organisation will eventually make the need to shift culture a mandatory and not a discretionary task. The process of reshaping our culture begins with addressing five fundamental questions...

RESHAPING CULTURES - THE KEY QUESTIONS

❑ What is our present culture?

❑ How appropriate is it to our business situation?

❑ To what extent do we need to change our culture?

❑ How will we effect this change?

❑ How will we know when our culture is appropriate?

These fundamental questions can be addressed within a structured and systematic framework. This framework constitutes a cultural change programme for the organisation and uses the Solidarity/Sociability matrix. The programme comprises five phases and can be customised to meet the needs of most organisations. Moreover, each phase can be undertaken as a stand-alone exercise if it suits the organisation.

A CULTURAL CHANGE PROGRAM

PHASE 1	PHASE 2	PHASE 3	PHASE 4	PHASE 5
What is our present culture?	*How appropriate it it to our business situation?*	*To what extent do we need to change our culture?*	*How will we effect this change?*	*How will we know when our culture is appropriate?*
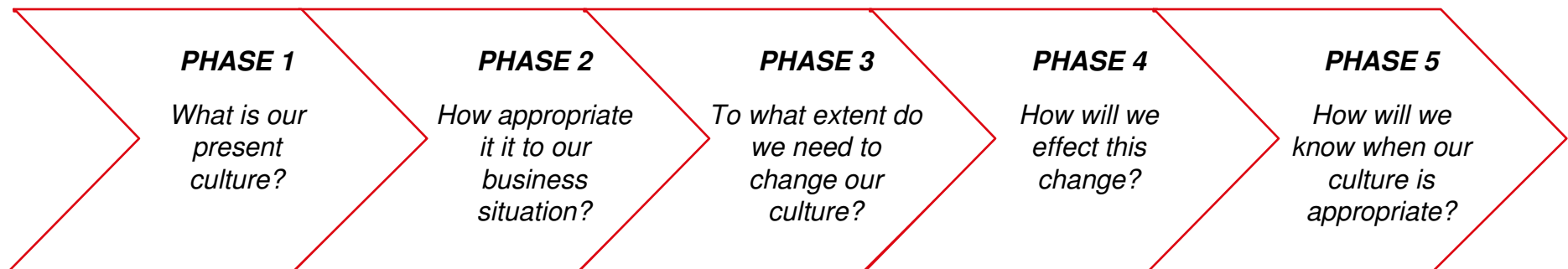
KEY OBJECTIVES

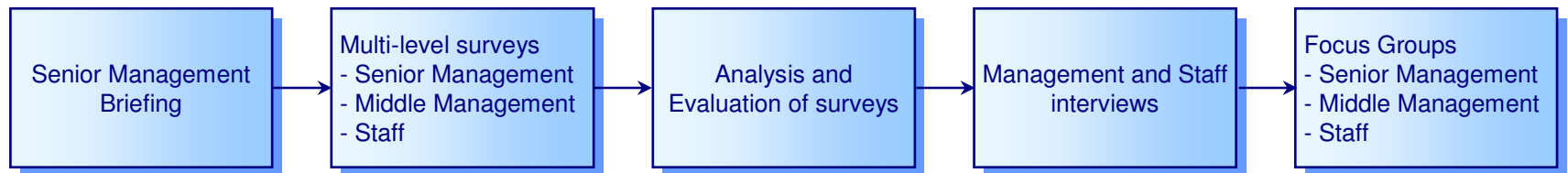|				
• To diagnose and measure our present culture	• To evaluate how well our culture fits our business	• To identify the type of culture we need to work towards	• To determine what changes are needed and how these changes will be put in place	• To progressively monitor and evaluate our culture on an on-going basis

KEY ISSUES

• What type of culture do we have?	• What are our strategic objectives?	• Do we really need to reshape our culture?	• What needs to be done?	• What will it take for change to be sustainable?
• What sub-cultures exist?	• Can we achieve them with our present culture?	• To what?	• How will it be done, when and by whom?	• How will we prevent "slippage"?
• How strong is our culture?	• Why?/Why not?	• What are the benefits and costs?	• How will we proceed?	• Where do we go from here?

The objective of the initial phase of the programme is solely to diagnose and measure our present culture and sub-cultures. This is done through a multi-level survey of all staff, one-on-one interviews with Management and Staff and a series of focus groups designed to enable Senior Management, Middle Management and Staff to evaluate the prevailing cultures within the organisation.

- PHASE 1 -
WHAT IS OUR PRESENT CULTURE?

ACTIVITIES:

Senior Management Briefing	Multi-level surveys - Senior Management - Middle Management - Staff	Analysis and Evaluation of surveys	Management and Staff interviews	Focus Groups - Senior Management - Middle Management - Staff

OUTCOMES:

• Understanding the link between culture and performance	• "First-cut" map of the current cultural climates in terms of Solidarity and Sociability	• Identifying the prevalent cultures and sub-cultures and what their effect has been upon performance	• Determining the strength of our culture and sub-cultures	• Understanding the implications of our current cultures and sub-cultures
• Explanation of the proposed program		• Recognising the characteristics of our cultures and sub-cultures		• Self-evaluation of appropriate fit
• Clarifying objectives and expectations				

The primary goal of Phase 2 is to evaluate the extent to which our culture fits our present and anticipated business environment. This is achieved through a strategy audit, high level review of the structure of the organisation and a survey of perceptions of external customers and stakeholders to ascertain how they regard the organisation. The key outcome of this phase is the agreement as to whether we need to change our strategy or change our culture.

- PHASE 2 -
HOW APPROPRIATE IS IT TO OUR BUSINESS SITUATION?

ACTIVITIES:

Current Strategy Audit	High-Level Organisational Review	Survey of external Customers and Stakeholders	Feedback to Management and Staff
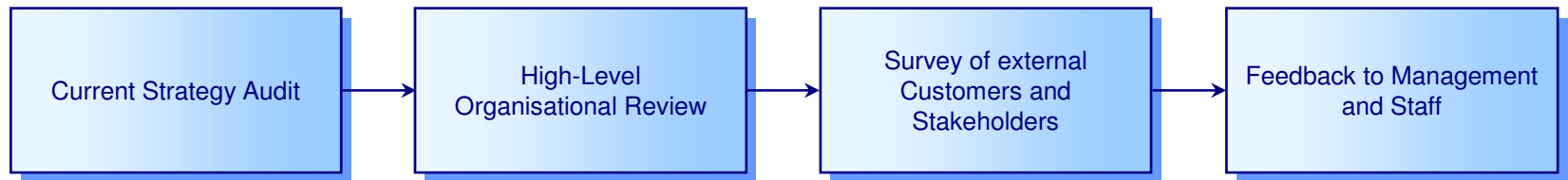
OUTCOMES:

- Classification of strategic objectives
- Identifying the apparent need to change

- Comparison of how things *should* work as opposed to how they actually *do* work in practice

- Identification of how our management, staff and ourselves as an organisation are perceived by outsiders

- Evaluation of the fit between our strategy and our culture
- Assessment of the extent to which our strategy is achievable
- Resolution of whether we change our strategy or change our culture

The focus of Phase 3 is to determine and reach agreement on the extent of the change that is required to our culture, whether or not this change can be realistically achieved and what it will require to make the change. This phase will require the input and agreement at all levels of the organisation.

- PHASE 3 -
TO WHAT EXTENT DO WE NEED TO CHANGE OUR CULTURE?

ACTIVITIES:

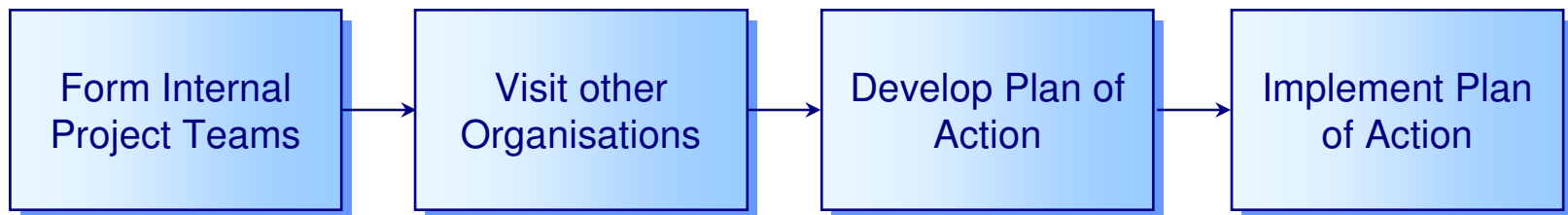| Management Forum	→	Staff Forum	→	Combined Management and Staff Forum

OUTCOMES:

- Identification of an "ideal" or more appropriate culture to suit our business environment

- Identification of the nature and extent of changes required to our present culture

- Understanding of the potential risks and downsides in making the transition

- Consensus as to what we can realistically achieve

Phase 4 is concerned with planning, developing, introducing and managing practical initiatives and strategies that will result in a change to our current culture. Instrumental to the success of the cultural change exercise is the formation of multi-disciplinary project teams charged with the responsibility of driving and managing the change. Clearly the type of change initiatives introduced will vary from organisation to organisation, however the process to develop them is fairly fixed and the initiatives will focus on modifying levels of Solidarity and Sociability.

- PHASE 4 -
HOW WILL WE EFFECT THIS CHANGE?

ACTIVITIES:

| Form Internal Project Teams | → | Visit other Organisations | → | Develop Plan of Action | → | Implement Plan of Action |

OUTCOMES:

- Identification of the best sub-culture(s) to use as a model
- "Corporate power-brokers" and "politically pivotal" members of the organisation involved and/or champions
- Involvement of all staff

- Creation of a vision of what might be
- Motivated project teams

- Organisational (ie Management and Staff) sign-off on:
  - Major/minor policy and procedural changes required
  - Potential risks and planned responses
  - How to address scepticism and resistance
  - What the practical/personal benefits and costs will be
  - Why staff will **want** to change

- Communication program to all:
  - employees
  - stakeholders
  - customers
- Monitoring and management mechanisms

Clearly, if the programme is developed and implemented it must succeed and be seen to succeed. There is no alternative. Phase 5 is directed towards the creation of mechanisms and strategies that will not only progressively monitor and evaluate the progress of change efforts but will also self-regulate or self-correct over time.

- PHASE 5 -
HOW WILL WE KNOW WHEN OUR CULTURE IS APPROPRIATE?

ACTIVITIES:

| Develop indicators of performance | → | Create self regulating and evaluation mechanisms |
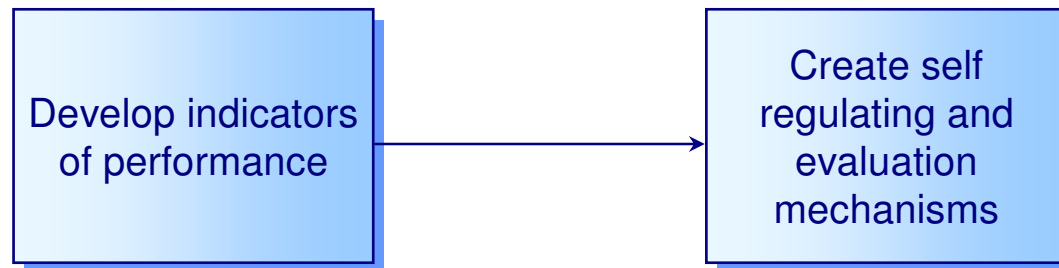
OUTCOMES:

- Ascertain how we know we will make a difference

- Tie cultural change initiatives to tangible outcomes (eg profitability, cost efficiency, greater productivity)

- Development of checkpoints, checklists and initiatives to support the cultural transition process

- Strategies and practices to reinforce behaviours to sustain the new culture

Although organisational culture is often conditioned by factors outside the organisation, culture is also governed by choices. Managers are therefore left with the job of managing the tension between creating a culture that produces a successful organisation and creating one that makes people happy. The potential of this challenge for impact on performance is enormous. Culture can be the instrumental force in organisational success if we understand what it means - and what it means to change it.

LESSONS WE HAVE LEARNED

❑ Culture is *the* key factor that distinguishes high performing from poor performing organisations

❑ Knowing how our organisation rates on the dimensions of Sociability and Solidarity is vital to identifying and understanding our culture

❑ Knowing whether our culture fits our business environment is critical to improving performance

❑ There is no golden quadrant that guarantees success

❑ Culture will be reshaped and realigned over time. Our choice is whether we allow it to evolve or manage it