

Understanding Organisational Culture

Written by Administrator

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Interest in organisational culture began in the early '80s when management gurus such as Tom Peters began to focus on culture as a differentiator of successful organisations. In the past twenty-odd years interest in culture has increased as case studies have identified a strong link between organisational culture and its performance.

In this article I discuss:

- What is organisational culture?
- Why is culture important?
- Different types of culture
- Methods for diagnosing organisational culture
- Changing organisational culture

What is organisational culture?

Organisational culture is the personality of the organisation, 'the way we do things around here'. Originally an anthropological term, culture refers to the underlying values, beliefs and codes of practice that make a business what it is.

Management psychologist Schein describes culture as a phenomenon that surrounds us all. Culture according to Schein is 'A pattern of shared basic assumptions that a group learns as it solves problems'.

It can be seen through:

1. Behaviour: language, customs, traditions
2. Groups norms: standards and values
3. Espoused values: published, publicly announced values
4. Formal Philosophy: mission
5. Rules of the Game: rules to all in organizations
6. Climate: climate of group in interaction
7. Embedded skills
8. Habits of thinking, acting, paradigms: Shared knowledge for socialization

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9. Shared meanings of the group

10. Metaphors or symbols

Why is culture important?

Evidence shows that organisations who have strong cultures are capable of increasing revenue, profitability and shareholder value. Likewise organisations with weak cultures find it difficult to change and adapt to market demands. Many ex-monopolies in the public sector for example struggled to respond to changing consumer patterns. In the early 1990s IBM recognised that it needed to fundamentally change its culture and self belief that it was invincible in the marketplace. Its then somewhat arrogant culture had prevented it from recognising the rise in demand for personal computers and it was in danger of failure as a company.

With the growing increase in globalisation, organisations face far more competition than ever before. Having a strong culture which supports and underpins an organisation's brand proposition helps businesses create and maintain competitive advantage - witness organisations such as Sony, Disney and Orange.

Increasingly business leaders are recognising that the concept of organisational culture is particularly important when it comes to managing organisation-wide change. If change is to be deep seated and long lasting within an organisation, it needs to happen at a cultural level. The challenge for many organisations is how to change existing cultures as culture is rooted deep in the unconscious but represented in behaviour and practice.

Different types of culture

The best way to begin a culture change process is to better understand the culture in which you are currently operating. If you don't understand and manage culture, it will manage you.

There are a number of different types of culture, just like there are many different personalities. Here is a selection of theories of culture types:

Charles Handy points out that there are three cultural types:

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Power cultures with a single power source. This may be an individual or a group who typically controls via a web of communications how people are rewarded.

Task cultures based on flexible matrix structures preserve a strong sense of purpose and promote teamwork.

Role cultures which predominate typically pyramid structures and where hierarchy and regulation abound.

Jeffrey Sonnenfeld identified the following four cultural types:

- Academy culture typified by stable environments such as hospitals, universities, large corporations where employees are highly skilled and tend to stay with the organisation.
- Club culture typified by military organisations where employees work their way up the organisation. There is a strong sense of fit with the group and organisations promote from within, valuing seniority
- Fortress culture where specialised skills are promoted and where organisations respond to market needs by downsizing or reorganising for example in financial services and car manufacturers
- Baseball team culture where employees are 'stars' with skills that allow them to readily transfer from one firm to another e.g. advertising agencies, investment banking

In his book, *The Chameleon Consultant* (Gower Publishing 2002 ISBN 0 566 08407 4), Andrew Holmes develops a model of four generic types of culture:

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- High Sociability, Low Solidarity = Networked culture
- High Sociability, High Solidarity = Communal culture
- Low Sociability, Low Solidarity = Fragmented culture
- Low Sociability, High Solidarity = Mercenary culture

Methods for analysing organisational culture

One way to understand culture is to use an analytical framework. Johnson and Scholes call their framework the Culture Web, a series of overlapping aspects of culture which make up the collective mindset. The Culture Web is best considered individually and then discussed with groups of managers. For example, look at your own organization in relation to the following:

Symbols - logos, offices, cars

Power - who has power

Organizational Structure - formal and informal structures

Controls - what gets measured and rewarded

Rituals - what are accepted procedures and rituals

Stories - sometimes called 'war stories'

There are a number of useful questionnaires which you can use to audit your company's culture. Completed by a cross-section of employees, they help to form a map of the context in which you are operating. In practice large and geographically spread businesses have many different types of cultures. Here is an example of a culture audit developed for an organisation that wanted to assess its degree of customer orientation at the beginning of a culture change programme:

ASSESS YOUR ORGANISATION'S CUSTOMER ORIENTATION*

(*Taken from Sarah Cook Compendium of Questionnaires and Inventories Volume 1 published by Gower)

Circle the degree of your agreement in response to each statement.

Agree

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strongly			
1	Agree		
2	Disagree		
3	Disagree		
Strongly			
4			
	The most important aspect of our business is satisfying customers	2	3
	Everybody has a customer - be it inside the organisation or outside	1	3
	We have 'heroes' who champion the customer	2	3
	Our organisation is not bureaucratic	2	3
	Customers say we're special	2	3
	The majority of people provide a high quality of service	1	3
	Customer experience is a key corporate objective	2	3
	You've got to talk the language of the customer to fit in round here	1	3
	We recruit people whose attitude is orientated towards the customer	2	3
	People work together as a team to serve the customer	2	3
	Most of the stories which circulate seem to feature customers	2	3
	Customer care is evident at Head Office as well as at the front-line	2	3
	Our leaders demonstrate their enthusiasm for the customer	1	3
	We are constantly finding new ways to satisfy our customers	1	3

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We reward people for going out of their way for the customer	2	3
We encourage our customers to tell us if things are not right	2	3
We're always taking steps to implement new ideas to help the customer	2	3
Our systems and processes work smoothly	2	3
My manager sets a positive example in serving the customer	2	3
We talk about the customer in largely positive terms	2	3
I have been given training in knowledge, attitudes and skills which help us satisfy the customer	2	3
My personal objectives revolve around customer satisfaction	2	3
We have a clear understanding of the needs of our customers	2	3
Everyone is encouraged to ask for and act on feedback from customers	2	3
I refer to my customers by name	2	3
The focus of our business is on retaining existing customers as well as attracting new ones	2	3
Staff induction includes the importance of customer experience	2	3
Senior managers spend time with customers	2	3
I am empowered to take decisions to help the customer	2	3

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When a customer comes to me with a problem I take ownership of this through to resolution

Now total your scores. Total: _____

The statements included in the questionnaire have been developed from research about what makes excellent customer focused organisations.

An alternative approach is to use a card sort exercise. Descriptions are written on card to describe the way the organisation works and what it values. The words on the card have negative as well as positive connotations for example:

- Valuing diversity
- Working long hours
- Focussing on the customer

Groups of employees are invited to sort the cards to best describe what is important in the organisation currently (i.e. what is the current culture). The resulting card sort creates a picture of the prevailing culture. The exercise can be repeated to focus on what employees would like the culture of the organisation to be like in the future. In this way a gap analysis can be undertaken between current and desired culture.

A further method is the use of rich pictures (so called because they provide rich metaphors about the organisation). Here individuals are asked to depict the organisation symbolically as if it was an image such as a body or a house or a mode of transport. Each person then describes why they have chosen to represent the organisation in this way. The resulting discussions help tease out the way things are done in the organisation.

Changing Culture

There is a growing trend as identified above for culture change to be promoted to bring about greater organisational effectiveness. Most management gurus recognise that changing culture

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is a long-term project. It takes between three and five years. It is a process that can be undertaken bottom up but ultimately very much depends on the leadership of the organisation. This group shapes and reinforces the way that the organisation functions.

It is generally accepted that to bring about culture change, all aspects of the organisation need to change.

7 'S' framework

The 7 'S's diagnostic framework, developed by management consultants McKinsey, provides a useful perspective with which to assess the culture and effectiveness of an organization. The Seven 'S's are:

- 1 Structure
- 2 Strategy
- 3 Shared values
- 4 Style
- 5 Staff
- 6 Skills
- 7 Systems

1. Structure

There are many permutations of structure that an organization can adopt:

- Centralised
- Decentralised
- Hierarchical
- Flat
- Team based
- Virtual

Each has its pros and cons. For example many layers of hierarchy can block a leader's access

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to customers and vice versa. Middle managers may 'filter' reality and present leaders with the picture of customer satisfaction which they wish them to see. The result of this is not only leaders who lack customer focus, but also employees who are fearful of 'stepping out of line' or taking responsibility for the customer.

2. Strategy

The strategy of an organization shapes its structure. Likewise the behaviours and values of an organization can promote or undermine its strategy

3. Shared values

If you discover the passion of the CEO, you will discover the organization's real priorities. Is there fundamental passion towards

- making money?
- staff relationships?
- customer orientation?

These are important issues to get to the bottom of. What measures are used in reward systems? This often shows the reality of what is important to the organization

4. Style

How leaders behave influences the behaviours of their staff. The most effective leaders are those who are sensitive to people's needs. When senior managers' career paths have been via specialist or technical functions, for example, they may well fail to appreciate the need for a holistic approach to change. Typically where this style prevails, quantitative measures are set for operational delivery. Little attention is paid to the qualitative aspects of service such as creating rapport and being empathetic to the customer.

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Senior managers are often pre-occupied with other influences such as competitors, shareholders, the City, government and regulatory bodies. Customers compete against these other preoccupations for their share of airtime and often lose.

Senior managers can all too easily become cocooned in a world far removed from the customer and the company people who work at the sharp end. One acid test of how removed your senior people may be from customers is: Who replies when a customer writes to the CEO?

This remoteness frequently leads managers to:

- Become hooked into the internal politics of the organization
- Shut off from honest feedback
- Rarely see the customer face-to-face

This can all add up to management decisions which are far from customer-friendly such as rules and regulations that work well for the organization but not the customer.

4. Staff

We are increasingly engaged within organizations to move front-line employees from a dependent, compliant and rule-bound style towards one where they freely take risks and confidently exercise discretion. The answer frequently starts with the very senior managers who bemoan the lack of initiative in their staff. People working for 'task-master' style managers who are directive and autocratic develop into terrorists - reluctant or resistant to change, or spectators - who take a back seat when it comes to resolving a customer problem. This is because people often become resentful or discouraged to take initiative when they are constantly told what to do and when the only feedback they receive is negative.

New recruits soak up culture like sponges: they may have been recruited for their winning qualities, but they are influenced strongly by other's behaviours.

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6. Skills

Customer orientated organizations such as the department store Nordstrom in the US emphasize the attitude and interpersonal skills needed to interact effectively with customers. Role, skills and knowledge can be taught, whereas many of the less tangible, empathetic interpersonal skills involve being able to create vital rapport with customers. Nordstrom recruit only self-starters - a high commission system helps deselect others. Each of Nordstrom's 35,000 staff effectively runs their own business (within limited rules).

7. Systems

The systems, which organizations use to interact with their customers, need to be designed with the customer in mind.

Conclusions

- Organisational culture is the glue that holds the organisation together.
- Culture is important as a strong culture has proven to underpin high performance
- There are many different types of culture which can exist even within the same organisation
- Questionnaires, audits, card sort techniques and rich pictures are methods for diagnosing organisational culture
- Changing organisational culture requires a long term approach ? it involves reassessing and making changes to all aspects of the organisation

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