# ORGANIZATIONAL CULTURE

An organization's culture provides individuals with a way of giving meaning to their daily lives, setting guidelines and rules for how to behave, and, most important, reducing and containing the anxiety of dealing with an unpredictable and uncertain environment. In other words, an organization's culture tells people what is right versus wrong and explains cause and effect thereby influencing their decisions and actions.

> Organizational culture is "the way that things get done" in an organization.

*Organizational culture is the values, underlying beliefs and assumptions that guide action and that are learned and shared by members of groups as they strive to achieve the organization's goals and fulfill its purpose.*

## THE ROLE OF ASSUMPTIONS, BELIEFS AND VALUES

Every organization operates with shared assumptions, beliefs and values. Underlying assumptions refer to the widely-held beliefs that guide behavior and tell people how to perceive, think and feel about things. These are deeply embedded in an organization's way of working and serve a purpose of reducing anxiety, building identity and guiding decision-making. This is so effective that it is commonplace to see people engage in rationalization and denial when shared beliefs and assumptions are threatened or challenged. These defensive routines are why culture is 'sticky'; it is tenacious and difficult to change.

Shared assumptions are distinct from values which are what the organization and its leaders believe are good and to be held in high esteem. Most people, when asked, will describe their organization's culture in values-based terms such as team-oriented, friendly, or safety-oriented. It is however often difficult to discern the extent that these values actually guide action versus describe what is believed to be desirable. For this reason, people's description of their organization's values rarely, if ever, provides an accurate portrayal of its culture.

## ORGANIZATIONAL CULTURE IS "LEARNED"

Research has shown that the values and beliefs that are attached to national culture are acquired by the time we are ten years old (Hofstede, 1992). As a result, they are a part of who we are both as individuals and as members of the society in which we live. They rarely, if ever, change. In contrast, organizational culture, while often deeply embedded, can be changed because it is "learned".

This is the reason why people can come and go in organizations and yet the organization culture remains intact. Think for a moment about new employees entering your organization. They likely have only superficial knowledge of the inner workings of your organization;

however, it doesn't take long before they start behaving in the "correct way" required to be accepted and fit in. But how do they learn what the "correct way" is?

A certain amount of this is communicated directly by their managers, peers and perhaps Human Resources; however, even more is acquired through observation and direct experience. By simply being a part of the organization and experiencing *the way that things get done* on a day-to-day basis, people learn, often without even realizing it, the organizational values, shared assumptions, and beliefs that are evident in the norms of behavior that they, and others, exhibit.

This has two implications for culture work. The first is that we believe that it is possible to create an image of an organization's culture, much like a camera snapshot, that helps to make these shared beliefs, values and assumptions explicit. This is achieved by identifying the patterns that are observable in the organization's norms of behavior and practices. Second, if organizational culture is "learned" then we believe that it can be "unlearned" and therefore changed. In fact, our research clearly shows that culture change within organizations can be accomplished much faster than is normally believed when certain approaches are taken.

Usually, however, culture change takes time as people first react to the introduction of new practices, and what they mean to underlying values and beliefs, and then become competent in new behaviors. As pivotal groups incorporate these behaviors into organizational practices and routines, norms shift creating chain reactions of change across the enterprise. As people experience and learn together about what creates success, assumptions change, beliefs evolve and a new set of governing principles take hold in the organization.

## ORGANIZATIONAL CULTURE IS A PRODUCT OF "EXTERNAL ADAPTATION AND INTERNAL INTEGRATION"

The extent that an organization's culture is adaptive (or capable of learning) depends on the balance between the forces of external adaptation and internal integration. Too much of one or the other creates problems specifically in terms of organizational effectiveness and performance. For example, an organization that is constantly changing itself in response to external events can create a weak culture that fails to hold the parts together in a cohesive and coordinated manner that is necessary for high levels of performance. On the other hand, too strong a focus on internal integration can result in the organization becoming non-adaptive as it fails to keep pace with changes happening around it.

Both of these scenarios are actually very common. In fact, it is normal to see organizations on one side or the other of the external-internal scale struggling to remain adaptive and at the same time effective. Where the situation becomes problematic is when an organization develops a culture that is strong and attached to past strategy. When this happens, the result is cultural 'stickiness' and 'drag' that gets in the way of business changes.

Think of the culture shifts that have occurred within IBM from the 1970's to present. In shifting from a manufacturing to global services organization, the company has had to deal with culture strengths that both supported and got in the way of business transformation. It has retained those that support strategy and

> Achieving a balance between external adaptation and internal integration is important to creating and sustaining healthy and high performing cultures.

developed new culture strengths for its future. Given the rate of change in organizations today, it is critical that leaders collectively understand how organizational culture strengths are acting as a 'double-edged sword' and whether they are starting to impede agility, innovation, productivity and engagement of next generation workers.

## THE ROLE OF SUBCULTURES

It is important to note that organizations with strong cultures can also have subcultures. In fact, any large and complex organization is likely to have multiple subcultures. This is because subcultures tend to form in organizations that have separate functional areas, divisions or business units that are accompanied by distinct tasks and populated by people with different occupational and professional orientations.

> The challenge is to understand subcultures, the value they bring and how they operate to support strategy and high performance.

As the interdependence of tasks in the various groups decreases, the quantity and quality of contact between people also declines which promotes the development of subcultures. Other factors influencing subculture formation include decentralized power as evident in autonomous business units that operate for all intents and purposes differently from other parts of the organization. An example is the Cable, Sports Entertainment, Publishing and Television divisions of a Media organization.

If the subcultures operate as countercultures that hold values, assumptions and beliefs that are in direct conflict with the culture of the organization as a whole, they can threaten values coherence that provides the clarity and consistency that is essential for members to execute the organization's strategy and achieve its goals. Otherwise, subcultures play a valuable role as they provide the means for the organization to be flexible and adaptable which is essential in

dynamic environments. They do this by sharing the core values, beliefs and assumptions of the organization while simultaneously holding peripheral or non-core values, beliefs and assumptions that are specific to the group. The challenge, therefore, is not to eliminate subcultures but to understand the similarities and differences in their values, assumptions and beliefs and those of other subcultures and the organization as a whole and how these contribute to organizational performance.

## THE BEHAVIORS OF SENIOR LEADER AMPLIFY CULTURAL STRENGTHS AND FLAWS

The behaviors of people in senior leadership positions are extremely influential in setting the tone for organizational culture. Due in large part to the power dynamics that exist in every group of two people or more, people in positions of power are closely observed by others to determine what is acceptable in terms of behavioral norms. This is why management researchers such as Deal and Kennedy (1982) and many others have emphasized the importance of leaders articulating a shared set of values that become a cornerstone to developing a healthy culture.

The issue, we believe, is that while articulating organizational values is important, of even greater significance is the need for leaders to act and speak in a manner that 'lives' the values on a moment-by-moment basis. This is one of the ways that leaders can drive culture change in their organizations.

> Leaders can drive culture change through their own behaviors by acting 100% consistently with the values 100% of the time – no exceptions and no excuses!

The challenge is cohesion and consistency. To shape culture through values alignment, leaders must behave in a way that is 100% consistent with the values 100% of the time – no exceptions and no excuses! This has significant implications for recruitment, promotion and recognition.

## ORGANIZATIONAL CULTURE IS "TAUGHT" TO US BY EXPERIENCE

The use of the word "taught" is in some respects unfortunate as it can cause people to approach culture change as a cognitive or intellectual exercise as evident in the proliferation of culture and values training programs in the late 1980's and 1990's. Many of us who experienced these initiatives can tell you that they work only to a limited extent or not at all.

In fact, culture is "taught" to us primarily by experience as we interact with others, artifacts and our environment. This goes hand-in-hand with the earlier discussion of "culture can be learned". This is not to say that there isn't value in embarking on initiatives to communicate and educate people on culture and values. In fact, this can be very useful in

> Culture and values training and communication initiatives alone will not result in culture change. In fact, on their own, they can result in increased resistance to

helping people to become more aware of their behaviors and the practices they use that contribute to the organization's culture. It can also help to engage people in changing behaviors and practices to create a new culture that is aligned with the strategy and goals of the organization.

On the other hand, expecting that communication and education will result in the necessary culture change is unrealistic. In fact, it can lead to cynicism and skepticism resulting in increased resistance to change, unless it is accompanied by observable and sustained changes to leader behaviors and organizational practices.

The good news in this is that most senior and mid-level executives 'own' the practices in use in their areas of influence which can help people 'learn' new ways of working together. Senior

> To shape culture, making concurrent changes to social, managing, operating and learning practices is one means of 'tipping' group norms for sustained behavior change.

leaders control important practices such as the way meetings are run, how plans are put together, who is consulted and engaged, how information is shared, the way ideas are generated and evaluated and more.

When senior leaders change routines and practices, especially if they do it collectively, new kinds of

behaviors can be called to action, assumptions and beliefs can be challenged and raised up for discussion and new group norms established. By carefully seeding in new practices, chain reactions of behavior change can ripple through organizations, strengthening aspects of culture important for strategy.

## CULTURE AND PERFORMANCE

Intuitively, it makes sense that organizations with healthy cultures comprised of highly motivated, enthusiastic and focused people are likely to benefit from superior performance outcomes. This is substantiated by a number of studies that report that organizations with strong cultures are able to achieve higher levels of performance and reliability leading to a strategic advantage over organizations with weak cultures. For example,

- Culture "can account for 20-30% of the differential in corporate performance when compared with 'culturally unremarkable' competitors." (James L. Heskett, 2011)

- "The perceived strength of a company's culture is positively correlated with its long-term economic performance as measured by net income growth, return on investment, and increase in stock price over a ten year period." (Kotter & Heskitt, 1992)

A strong organization culture is believed to exist when there is a set of norms and values that are widely shared and strongly held throughout the organization. This contributes to enhanced coordination and social control, effective alignment of goals and highly motivated employees that care about the organization and what it stands for. Importantly, a strong culture is only effective when it is aligned with its mission and strategy and is supported by structures, processes, technology and other elements of the organization system. The next section describes how this takes place.

## ALIGNING THE ORGANIZATION SYSTEM

Thinking about culture within the organization's system helps organizations identify where alignment actions are needed to ignite and sustain change. On the following page is an Organizational Alignment Model illustrating the way Work, Infrastructure and Culture need to be aligned to create a high-performance organization driven by Mission & Strategy ('What is important to get done') to deliver desired Results.

Alignment starts with the Environment which provides the context within which the organization interacts. This acts upon the organization to influence its Mission and Strategy which defines 'What is important to get done'. While companies may be in the same environment (such as their industry, suppliers, legislation), their Strategies may be significantly different. Work, Infrastructure and Culture alignment need to be driven from the strategic imperatives for the company.

On the left of the model are the elements of the Work of the organization or 'What gets done'. This is defined by the goals that are set, the tasks assigned to achieve these goals, the measures used to track progress and completion, the rewards assigned to success and the corrections applied to missed goals and objectives. For example, if Safety is important to Strategy, it should be a prominent goal. This goal then gets broken down into tasks such as safety audits. Performance is measured to determine the extent that the goal has been reached using indicators such as number of days without a safety incident. Rewards and recognition are given for success and corrections are made where necessary. But goal alignment alone is not sufficient to create a high performance organization.



Infrastructure, at the center of the Organizational Alignment Model, comprises the elements of the organization that determine 'How things gets done' to deliver the Work, including processes, structures, technology, tools, and use of physical space. For example, how decisions are made is affected by structure including roles and accountabilities. The establishment of advisory groups and committees to guide and/or direct action is an example of a structure introduced to support achievement of an organization's strategy. Aligning Infrastructure to strategy often results in system and process changes that require significant organization design and culture shifts which are needed to support the change and sustain it.

When the organization system is aligned, productivity increases, talent is attracted, motivated and retained, the brand thrives and trust builds with employees, customers and investors.

On the right of the alignment model are elements of the organization's Culture that define the 'Way things get done'. This includes the organization's values which describe desired behaviors such as the need to collaborate across professions. Assumptions are the beliefs that guide action. Artifacts are the observable manifestation of the organization's culture that includes symbols, tools and rituals such as posters promoting safety and workbooks for educating new employees. Norms of behavior are the way that people act that demonstrates their beliefs, and finally, organizational practices are the repeated routines that define the way things are done, such as the way meetings are organized, plans are made or

risks managed. These differ from processes which define 'How things are done' and reflect the way leaders and groups act within and across groups.

As all of these Culture elements interact, culture strengths develop and balance each other to create dynamics that are organization specific. For example, innovation in one organization may operate quite differently than another, even in the same industry. Strengths related to candor, conflict and transparency may impact idea generation, idea sharing and external focus. These dynamics need to be understood to continually strengthen the desired culture.

While all of the elements within Culture need alignment, as important is the alignment across the organization system. For example, to support and sustain a strong innovation culture, new business intelligence systems, different roles and structures, redesigned workspaces and new kinds of goals and metrics may be needed to reinforce desired behaviors and practices. Enablers and barriers to culture alignment need to be identified and addressed in a planful way to shape and embed the desired culture. Often these changes must be sponsored at senior leadership levels.

All of these Organization System elements act dynamically with feedback occurring in a constant flow of information within and between the elements of the organization. Each element is interrelated. Changes in one affect the others which in turn can lead to change in a constant and continual adaptive manner. Careful development of action strategies where changes in several elements occur at once can accelerate transformational operational and culture change.

> The elements of the organization system act dynamically with feedback flow within and between themselves creating enablers and barriers to high

The outcome of this alignment process are the Results or the outcomes achieved. Where Work, Culture and Infrastructure are aligned, a high performance environment develops supporting Mission and Strategy. Productivity increases, talent is attracted, motivated and retained, the brand thrives and trust builds with employees, customers and investors.

## SHAPING CULTURE BY DESIGN

To summarize, culture fit to strategy is a key contribution of leaders and their groups to organization performance. Culture is not a 'soft' part of the business but rather the building of strengths for strategy execution and competitiveness that respond to shifting external and internal forces.

By understanding the way the organization's culture is operating and then working together in an intentional way to build powerful culture strengths and positive dynamics, everyone can contribute to creating an organization where people and business thrive and grow.

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## Culture-Strategy Fit Inc.

Culture-Strategy Fit Inc. is a leading culture and executive leadership consulting firm conducting ground breaking work in leveraging culture to drive strategy and performance. It's suite of culture surveys and culture alignment tools are used by market leading organizations around the world.