CHALLENGES FOR LEADERS: ASSESSING AND CHANGING ORGANIZATIONAL CULTURE

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Abstract *Organizational culture is recognized as an important tool in controlling and coordinating the activities of organizational members (e.g., executives, managers and employees), facilitating communication among them and providing incentives for them to act in ways which the leaders of the organization consider necessary to achieve and sustain organizational effectiveness and comply with the requirements and expectations of the organization's external environment. It is therefore incumbent on organizational leaders to understand what organizational culture means, how it develops, and, more importantly, how it can be assessed and changed in order for the organization to adapt and evolve successfully.*

OVERVIEW

In addition to their formal organizational structure, rules and standard operating procedures used to support and operate the structure, organizations also rely heavily on their organizational culture as an important tool in controlling and coordinating the activities of their members (e.g., executives, managers and employees), facilitating communication among those members and providing incentives and reasons for them to act in ways that the leaders of the organization consider to be necessary in order to achieve and sustain organizational effectiveness and comply with the requirements and expectations of the organization's external environment. The culture of a particular organization is created and maintained by its members, particularly the founders and senior managers, based on a variety of influencing factors. They are also the ones who can change and transform this culture when they are convinced that such actions are necessary in light of the prevailing environment. Organizational culture should not be underestimated, because in most cases, it is a stronger force than any other set of internal laws—rules and procedures—applicable to the members of the organization.

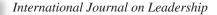## DEFINITIONS OF ORGANIZATIONAL CULTURE

When the discussion turns to "organizational culture", or "corporate culture", most people have some sense or recognition of what the concept means, at least to them. A fairly simply definition, or explanation, would be "the way we do things around here". However, there is no generally accepted definition of the word "culture", organizational or otherwise, and scholars and researchers from various academic disciplines have added their own nuances when suggesting a definition of culture. Anthropologists, for example, were among the first to study the belief systems of other communities and their research eventually unearthed several different "culture aspects" including the following (Aiman-Smith):

- Historical: Culture is social heritage, or tradition, that is passed on to future generations.
- Behavioral: Culture is shared, learned human behavior, a way of life.
- Normative: Culture is ideals, values, or rules for living.

- Functional: Culture is the way people solve problems of adapting to the environment and living together.

- Mental: Culture is a complex of ideas, or learned habits, for social control.

- Structural: Culture consists of patterned and interrelated ideas, symbols, or behaviors.

- Symbolic: Culture is based on arbitrarily assigned meanings that are shared by an organization.

The general consensus seems to be that culture is a complex web of tacit beliefs, understandings, assumptions, boundaries, common language and shared expectations that have been developed and maintained over time by the members of an identifiable group and which influence the behaviors of these members. Culture is implicit in social life and emerges over extended periods of time as individuals interact with one another and begin to organize themselves as identifiable social groups (e.g., tribes, communities, companies, non-profit organizations, states and countries).

Experts in management science and organizational behavior and communication see organization culture as an explicit product of the choices that a group of people make with respect to accepted behavior as they interact with one another and key stakeholders outside of the organization (e.g., customers, suppliers and regulators) and attempt to develop ways to confront their broader social environment. In the "business context", the organizational culture is an important determinant of how members deal with customers; how members treat one another as fellow members; and how leaders and managers of the organization motivate, reward and develop members.

MODELS OF ORGANIZATIONAL CULTURE

With so many definitions, it often seems difficult to get a good handle on organizational culture so that it can identified, measured and compared, all of which are of great interest to organizational leaders searching for positive links between organizational culture and performance. Perhaps the most well-known model of organizational culture, although not necessarily the most complete, is the three level framework developed by Schein. He began with a definition of "culture" as "a pattern of basic assumptions – invented, discovered or developed by a given group as it learns to cope with 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 to perceive, think and feel in relation to those problems". (Schein, 1992) He then fleshed out this definition by suggesting that culture could be understood by dividing it into three elements or levels, as follows:

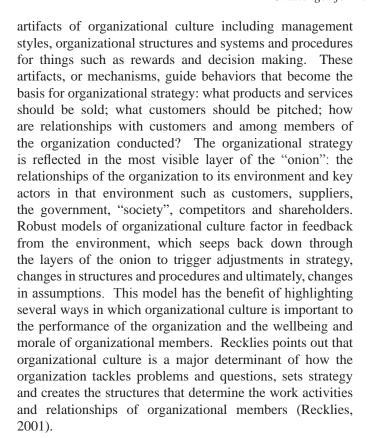- *Artifacts and Creations:* This level, sometimes referred to as "cultural forms", includes visible artifacts and tangible behaviors such as structure, facilities, offices, furnishings, dress codes, rights and rituals, myths and stories, symbols, language, gestures, visible rewards and how members of the organization appear to interact with one another and with outsiders who come in contact with the organization.

- *Espoused Values:* This level includes things such as organizational slogans and other visible expressions of organizational mission, vision and internal and personal values (e.g., identifiable norms and formal guidelines). Espoused values describe the desired state or outcome that the leaders of the organization wish to achieve through the activities of members of the organization and are thought to have an important influence on how decisions are made within the organization as well as the level of risk that the organization is willing to undertake.

- *Basic Assumptions:* This level includes the organization's tacit assumptions and values and is usually the most difficult to assess, since the elements of culture at this level are invisible and generally exist without the awareness of its members. Such unconscious rules form the basis for norms of behavior and standards of conduct that become deeply embedded through the day-to-day interactions of members which serve as a reinforcement mechanism.

Schein's three levels made for a nice visual; however, it left many questions unanswered. For example, while one can easily see artifacts and creations that does not necessarily mean that one can understand why they exist and what their purpose might be. As for the espoused values, the challenge is learning more about why values such as "risk taking" are acceptable in one organization but not in another. This is where study of influences on organizational culture, mentioned below, comes into play. Finally, understanding the basic assumptions is necessarily very difficult given that they lack tangibility and even organizational members have problems explaining what they are and how they came about. This is a fundamental challenge for those attempting to understand, manage and change organizational culture since Schein himself concluded that: "What really drive the culture – its essence – are the learned, shared, tacit assumptions on which people base their daily behaviors" (Schein, 1999).

Another popular model of organizational culture is referred to as the "onion skin" model since it is based on the premise that organizational culture and its influence on organizational activities is best viewed as several layers that need to be carefully "peeled back" to provide the observer with a clearer picture. At the core of the "onion", deeply embedded and out of sight, are the basic assumptions, beliefs, values and norms that serve as the foundation of organizational culture. The next skin is home to more visible

artifacts of organizational culture including management styles, organizational structures and systems and procedures for things such as rewards and decision making. These artifacts, or mechanisms, guide behaviors that become the basis for organizational strategy: what products and services should be sold; what customers should be pitched; how are relationships with customers and among members of the organization conducted? The organizational strategy is reflected in the most visible layer of the "onion": the relationships of the organization to its environment and key actors in that environment such as customers, suppliers, the government, "society", competitors and shareholders. Robust models of organizational culture factor in feedback from the environment, which seeps back down through the layers of the onion to trigger adjustments in strategy, changes in structures and procedures and ultimately, changes in assumptions. This model has the benefit of highlighting several ways in which organizational culture is important to the performance of the organization and the wellbeing and morale of organizational members. Recklies points out that organizational culture is a major determinant of how the organization tackles problems and questions, sets strategy and creates the structures that determine the work activities and relationships of organizational members (Recklies, 2001).

INFLUENCES ON THE DEVELOPMENT OF ORGANIZATIONAL CULTURE

Perhaps the answer for understanding the "basic assumptions" in the Schein model lies in knowing more about what appears to influence the development of organizational culture. Influences on organizational culture are incorporated into larger and more complex models of organizational culture that explicitly take into account the external environment in which the organization operates, technology, industry factors and societal culture (both for its direct impact on the organization and its indirect impact through the personal values that organizational members bring with them as a result of growing up within the societal culture). Schein's definition of organizational culture suggests that the basic assumptions can be identified and understood by looking closely at the "problems of external adaptation and internal integration" that the organization has confronted and overcome, which means that learning about the organizational history, particularly the way it is communicated to new members during their orientation process, is extremely important in assessing its culture. (Beaudan and G. Smith, 2000) Finally, the influence of the organizational founders on organizational culture is substantial and persists long after those persons have ceased to be actively involved with the organization.

IDENTIFYING AND ASSESSING ORGANIZATIONAL CULTURE

In an attempt to make organizational culture more meaningful and tangible for researchers and managers, the "dimensions approach" that has become so popular in the study of societal culture has been introduced into the field of organizational culture. A lot of researchers have attempted to develop models for empirically measuring organizational culture along various bipolar scales, which are referred to as "dimensions". The most widely available and utilized models of the dimensions of organizational culture are based on a wide array of assumptions and varied amount of actual empirical data. Some models of organizational culture are prescriptive and come with data claiming to indicate that certain cultures are more "effective" than others in achieving various desired indicators of performance, such as profitability, productivity and customer satisfaction. For example, it has been suggested that organizations should strive for "adaptability" and focus on "listening to the marketplace" in order to identify appropriate changes to their behavior and processes that will make them more responsive to customer needs. The challenge for organizational leaders, both executives and managers, is to develop a list of questions and categories that can be used to identify key issues associated with "organizational culture" so that they can be explored and actions can be taken to either strengthen and reinforce desired cultural characteristics or initiate changes that will hopefully lead to greater member satisfaction and enhanced organizational performance.

A review of the existing research and literature suggests that such a list should touch on both "ways of looking at the world" (i.e., time orientation and relationship to the environment) and "practices" (i.e., control systems and other elements commonly associated with organizational structure) and should include both internal integration (i.e., "how things work inside the company") and external adaptation (i.e., "how the company perceives and interacts with its customers and other key external stakeholders") values. Such an approach recognizes the disparate influences on organizational culture that include societal culture, industry characteristics and the nature of the necessary tasks and role of technology. Entries on such a list suggested by the models include the following:

- *Organizational Mission and Purpose:* Do all of the organizational members have a clear understanding of the mission and purpose of the organization and their roles and responsibilities in achieving organizational goals? Is there a clear vision of where the organization is headed that is shared and understood by all members?

- *Control Systems and Process Orientation:* What "control" mechanisms are used within the organization

and, are they "tight" (e.g., formal rules with small tolerances) or "loose"? To what extent does the technology used by the organization influence its control systems? Is there more focus throughout the organization on the "process" of completing necessary activities, which typically leads to more formalization and reliance on the use of elaborate rules and procedures, or is the primary focus simply toward achieving the desired result or outcome, a situation in which less emphasis is placed on the process and organizational members are given more freedom in deciding how best to get their jobs done.

- *Organizational Responsibilities to Members:* What is the accepted and expected scope of the organization's responsibilities toward its members? Are those responsibilities limited to matters directly influencing job performance or do they extend further to include responsibilities for the overall well-being of organizational members (i.e., a more "humane orientation")? What is the perceived (and actual) role of the organizational leader in the lives of subordinates?

- *Organizational Identification and Commitment:* Do organizational members have a strong level of identity with, and commitment to, the organization or is their level of commitment divided between the organization and other strong group affiliations, such as allegiances to professional cultures (e.g., science and engineering)? A related question would be the level of responsibility that organizational members feel toward the organization, which, in turn, influences the degree to which they will act in a conscientious manner in discharging their duties and responsibilities.

- *Communication Style:* What styles are used by organizational members for internal and external communications (e.g., assertive/aggressive versus cordial/tender) and how easy is it for outsiders and newcomers, such as new employees, to be admitted and integrated into the organization? Communication also includes the effectiveness of communication and the degree to which accurate information is shared throughout the organization.

- *Internal Governance Systems:* Has the organization developed an internal set of governance systems that contribute to a continuous sense of integration and coordination among organizational members? These systems include core values and established norms, rituals, rules and standardized procedures to avoid uncertainty, reduce ambiguity and help everyone in making consistent decisions and behaving in a consistent manner.

- *Strategies for Coping with External Environment:* Is the organization pragmatic (i.e., flexible and adaptable) in dealing with its external environment, particularly its customers (i.e., a "customer orientation"), or is its approach more rigid? To what extent do organizational members expect that it is possible to change and manage the relationship of the organization with its external environment in order to advance and achieve organizational goals and objectives (i.e., is it believed that the organization can "master" its environment through detailed planning processes or should it simply accept the environment as it comes and strive for "harmony" with it)?

- *External Adaptation:* What is the level of results- and outcome-orientation (i.e., quality and efficiency) within the organization? Does the organizational culture emphasize customer satisfaction and continuous innovation to meet the changing demands of the marketplace? External adaptation is determined by a variety of factors, including the external competitive and technological environment in which the organization operates.

- *Power, Status and Participation:* What are the expectations of organizational members regarding the distribution of power and status within the organization and opportunities for all members to participate in decision making regarding organizational goals and objective? Organizations with higher "power distance" are more hierarchical, accepting more stratification among members with regard to power and wealth and more authoritarianism with respect to decision making, while organizations with lower power distance are more egalitarian and deploy flatter organizational structures. The type and quality of the leader-subordinate relationship should also be considered.

- *Individualism/Collectivism:* What is the relative importance of individual accomplishment or autonomy versus group dependent accomplishment within the organization? This can be measured by looking to see how important team and group activities are in the organizational structure and processes, how rewards are allocated to members of the organization for their actions and the extent to which people work well together and help each other with difficulties.

- *Gender Equality and Diversity:* To what extent do organizational leaders and organizational practices promote gender equality and minimization of gender role differences? Do all of the various employment-related practices within the organization reflect acceptance of diversity and valuing of all people regardless of race, gender, sexual orientation, religion and age?

- *Time Orientation:* What balance does the organization strike, particularly in its reward systems, between future oriented behavior, such as planning and long-term investment, and short-term planning and projects?

- *Encouragement and Support of Individual Development:* To what extent does the organization encourage and reward members for improving their skills and performance and for setting and achieving challenging goals with respect to excellence and quality? Factors to consider include the level of training offered to organizational members, acceptance and encouragement of "entrepreneurship" and "reasonable risk taking" in areas such as product and process development, respect for individual dignity and provisions of a good and safe working environment.

Many of the issues and practices raised by these questions are, of course, interrelated. For example, opportunities to participate in decision making increase the level of engagement of organizational members and ultimately contributes to enhanced commitment of those members to organizational goals and objectives due to their heightened sense of ownership and responsibility for their part in the overall organizational plan. At the same time, however, organizations must be mindful that the process of involving organizational members in decisions can be time consuming and may sometimes inhibit the ability of the organization to set and maintain a strong mission and focus or quickly implement changes deemed necessary to respond in a timely fashion to unforeseen developments in the marketplace. There are also common themes that are continuous emphasized among researchers in the field of organizational culture. For example, there is always great interest in the balance between equality and hierarchy; people-orientation versus task-orientation; flexibility and stability; and "internal focus" and integration and "external focus" and differentiation. The bases for control within the organization is another important indicator of organizational culture and options range from informal controls based primarily on peer pressure to formal procedures and systems and, finally, direct and constant oversight by the founder and/or senior organizational leaders.

ORGANIZATIONAL CULTURE CHANGES

Researchers and organizational leaders seek to understand organizational culture so that they have a better idea of "why things are the way they are". However, for organizational leaders this is not enough, since they are continuously seeking ways to improve the performance of the organization and studies indicate that performance is linked to culture when it comes to organizations. This raises the whole question of whether it is possible to "change" organizational culture and, if so, how does this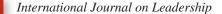 process work? Schein and others have made it clear that they believe that organizational culture is extremely hard to change; however, others are more optimistic. Schraeder and Self observed that a change in the organizational environment might facilitate a change in organization culture (Schreader and Self, 2003) and Lees argued that it was possible to manage organizational climate or corporate culture through "leadership styles, flexible structures, redesigned jobs, decentralization and developed autonomy, empowerment, human relations styles and much more". (Lees, 2003) There is a consensus that organizational change starts with, and must be driven by, commitment, vision and direction by organizational leaders and that change only happens when organizational members are invested and willing to make it happen. (Kavanagh and Ashkanasy, 2006; Smith, 2006; Diefenbach, 2007) Smith, for example, proposed the following fundamental and key elements to successfully achieving sustainable changes in organizational culture (Smith, 2006):

- *Ensure Readiness:* Leaders should engage themselves with communicating widely within the organization regarding the perceived need for change even before the change planning process is completed in order to begin building a receptive attitude among members for the changes that will eventually take place.

- *Change Planning:* Planning for changes in organizational culture should be carried out in the same way as any other strategic move and it is not uncommon for plans to include a description of priorities, timetables and schedules and schematics of how the responsibilities of organizational members will be changed. The change planning process should be transparent, so that organizational members can see and understand the rationale for changes that impact them directly.

- *Change Leadership:* Organizational leaders must be prepared, and have personal skills, to lead the change initiative and get organizational members actively and positively involved in transforming the organization and its work environment.

- *Change Management:* Organizational change is more than speeches and announcements, it requires active management by organizational leaders to keep members apprised of, and focused on, the goals underlying the changes. Wide communication and discussion is needed and opinions of organizational members should be solicited and incorporated into new ideas, procedures and ways of thinking within the organization.

- *Support Change:* The organization must be prepared to invest in all of the resources required to facilitate the desired changes, including money and time. Among other things, the organization must establish and support training and development programs that

support the new roles that organizational members are being asked to assume.

- *Resistance:* Organizational leaders must expect that there will be resistance to change even when the leaders are convinced that the change will be positive for all or most of the organizational members. Leaders should not ignore, or brush off, resistance and should make a conscious effort to under the nature and the resistance and determine the best strategy for dealing with it. In some cases, negotiation and explanation will only go so far and it may be necessary to simply rely on reasonable use of power and authority, realizing that some of the organizational members may not survive the change process.

- *Communication:* Organizational leaders should be excellent communicators during the process of changing the organizational culture and this means clear, honest, regular and complete communication at all organizational levels which includes opportunities for members to voice their concerns about the process, and thus build a belief among members that they can trust their leaders to take their anxieties and ideas into account.

- *External Stakeholders:* While most of the change process focuses on organizational members, it is also important to communicate changes to external stakeholders, such as customers and suppliers, particularly when the proposed changes are driven by goals related to those stakeholders, such as "get closer to the customer".

- *Assessment of Change Process:* As part of the planning processes mentioned above, organizational leaders must be prepared to evaluate the process, make necessary changes and learn from problems that may have arisen during the process. In addition, of course, once the process is largely completed organizational leaders need to compare actual outcomes to the goals established at the beginning of the process. The bottom line is that attempts at organizational change must be seen as an opportunity to learn, even when change has not been successful.

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