The organizational culture and its role in executing strategy

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Introduction

Leading an organization to success in the competitive environment requires a strategy that is thoughtful, intentional, and with specific goals in mind. As equally importantly as that, though, is having an organization that internally understands and supports the strategy, and has the resources necessary to implement it (Doz and Prahalad, 1988). These three elements (understanding, support, and resources) are the lynchpins to successfully enacting the strategy and generating the desired outcomes (Kotter and Cohen, 2002).

Leadership typically focuses attention on the organization internally to decide how to organize the business, who should perform which functions, and where such activities are to take place. Such organizational design decisions are necessary to create a functioning system of operations (Nadler and Tushman, 1997). In addition, however, intentionally examining the organization's culture and making decisions about how to sculpt or influence it is a key step in creating the internal understanding and support needed for leadership's strategic plans and activities. Thus, the organization's internal culture and design form the bedrock of the organization's ability to perform. That is, who works with whom, who talks with each other (both formally and over the water cooler), who controls resources, and who makes internal decisions can expedite or stifle any well-intended strategic plans (Alexander, 1985; Beckhard and Pritchard, 1992).

Strategic impacts upon the organization

Organizational culture

A simple definition of organizational culture is the shared beliefs and values that result in expected behaviours and norms among the members. The organizational culture has three levels: artefacts, stated values, and assumptions.

Artefacts are symbols, buildings, legends, ceremonies, rituals, and an internal language. These artefacts develop over time and information about them is passed along from worker to worker. The symbols can be company logos, or uniforms or other manner of dress that people wear, or badges and awards for certain kinds of performance. Some symbols might become revered while others might be more fun in nature. Regardless, the symbols take on meaning that endears themselves to those within the organization.

The buildings typically become part of the culture, as it is the "home" for workers while at work. Status is often conveyed

based upon location within the building. Neighbours know the visual look of the building within the community so that eventually workers become identified with the physical facility. Usually a building changes little over time, so its image to the workers becomes a core part of their identity.

Legends, ceremonies, and rituals, both formal and informal, become a key method by which the organizational culture is communicated among members. The histories of those who went before the current members (the legends) act as either role models or warnings of what not to do. Ceremonies are useful processes to recognize members for their accomplishments and to hold their performances up for all to see and emulate. Rituals are patterns of behaviour that members recognize as acceptable behaviour and could include how people address or greet one another, or how parking spaces are allocated. Regardless of the scope of the ritual, its role becomes known within the organization and members are expected to honour it.

Language is a key aspect of any organizational culture as it forms the basis for communicating values, ideals, and concepts. Each industry seems to develop language unique to its products and processes, such as discussing products by code numbers rather than actual names or referring to locations by abbreviations (LAX for Los Angeles International Airport is an example). Firms within those industries seem to advance some of the common industry jargon to fit local conditions. For instance, within the Bell Telephone Company the common, simple home telephone service became known internally as POTS, or plain old telephone service.

Organizational culture is a powerful force within firms. It provides members with a sense of identify, helps to create commitment towards goals and strategies, gives members a framework for understanding what happens within the organization, and acts as a control mechanism to guide behaviours and attitudes.

Organizational design

As noted, how the business is organized forms the basis for effective operations (Adler, 1999; Leavitt, 2003; Nadler and Tushman, 1997). The lines of authority for decision-making and for communicating must be clearly delineated so that all employees, from the front line workers and support staff, to the office of the GM, can efficiently and effectively learn what it is each person is to do, and how to adapt and change

to fit with organizational needs. Functions are often organized into departments such as production, shipping and receiving, sales and marketing, etc. This certainly helps the various functions, or departments, understand better how to interact with one another. Such formalization of the organization is often necessary to create the needed efficiency for competitive effectiveness.

However, this can often be an overlooked aspect as a new strategy is employed, especially of a firm that has been in business for some time. The established lines of authority and communication might have become so deeply entrenched that sheer inertia keeps the system operating in the same manner in spite of efforts to change it. How can that happen? Essentially, processes become embedded into the daily operations of the company. Forms, routines, and procedures abound in many organizations, and such practices often drive the flow of operations. While senior management might have a vision about how the organization is to operate under a new strategy, learning all of the various "nuts and bolts" to tweak is usually beyond the working knowledge of leadership. Thus, having members of the strategy development team that are experts on the organization's design can be an essential aspect of developing a strategy implementation plan. Further, having that internal expert on the strategy formation team can be valuable, too, as the expert can help inform the decision makers what the firm might be capable of in terms of change, and what time frames are possible.

The role of leadership

While there are many different definitions of leadership, the majority indicated that it is the ability to set directions for a group, gain member's commitment, and influence them to achieve group goals. It is having the courage to identify needed action and initiate change. In return, followers expect their leaders to be competent, honest, knowledgeable, and inspiring.

Leaders, then, are strong influences upon the organizational culture (Bridges, 1991). The policies and procedures they design, the strategies they conceive, and the attitudes and values they adopt set the tone for how other members are expected to act. The goals of the organization also influence the culture, for if the goals are respected and valued the members often exhibit pride in being a part of that organization. The strategies formulated by management should respect

the firm's value sets that are embedded within its culture. The strategies should either be incrementally adjusted to conform with and support existing culture, or plans should be developed to gently mould the culture so that it becomes aligned with the new strategies. It is a responsibility of management to understand the organizational culture well enough to anticipate its influences upon the organization and to anticipate how to harness that power to support corporate strategies.

Managing change

Preparing members of an organization for change is a large task unto itself (Deal and Kennedy, 1982; Jick, 1993; Kilmann *et al.*, 1985). A direct edict from authority rarely is sufficient to enact any change throughout an organization. Simply put: in general people prefer the safety and security of the known, or the tasks and internal routines of operations that they have mastered and execute with confidence. Thus, such people are typically resistant to any change that would put that safety, security, and competence at risk.

Change can be considered incremental or radical. Incremental change is often considered linear; that is, it is focused upon small improvements or adjustments to existing procedures and processes. Radical change, in contrast, is often transformative. It can be multidimensional and can modify or greatly change the basic systems, structure, thinking, and attitudes of members of the firm. Major strategic initiatives are often of this type.

For a change to be successful, there is a critical mass of individuals that must be identified as those whose support is both vital and necessary. This critical mass should be the smallest group of people possible, for it is they who can best enact the change, and who must influence others to also become committed to the change. These individuals are the change agents who accept the responsibility to enacting the change. They not only should not just be from the senior management team but rather should be from many levels throughout the organization. For it is their collective influence that can educate and convince others within the firm to adapt and accept change.

Such successful changes often do not come from broad concepts that originate from the top of the organization. Rather, such ideas for change often originate at the fringes of the firm and have champions who focus recourses on improvements. Such change processes often call for existing members to first let go of their previous understandings, listen to the new

concepts, and learn to build the improvements into systems. Lewin (1947) provided the classic description of this as an "unfreeze, move forward and re-freeze" process.

It is key, then, that managers desiring to make changes understand that change is a process, not an event or directive. The process typically involves (1) identifying the need for change, (2) forming a guiding coalition, (3) developing a shared vision, (4) creating an implementation plan, (5) identifying potential resistance and how to secure participation, (6) communicating the change throughout the firm, (7) enacting the change, and then (8) evaluating the change.

Of these steps, keeping in mind throughout the process the impact upon organizational culture is paramount to the success of the change process. Step five (above) centres upon this concept. How people within the organization relate to one another, how they feel about their work and their organization, are key internal motivators. Managers must think ahead of the likely impact that any change may have upon those perceptions that workers hold dear. For if the intended change does not nurture or enhance those ideals, and does not offer acceptable replacements for what might be lost, then the resistance may be so great that the change will not be successful (Olson and Eoyang, 2001).

An example of this can be seen in the firm that clamped down upon a morning coffee break. In this particular firm, employees were in the habit of arriving to work at 8 am as expected, but then taking a coffee break about 8:45 for about 30–45 min. It was not a scheduled break for any of the employees. Not every employee took that coffee break every day. It would often depend upon the work demand of the morning. However, large numbers of employees could be found in the employee cafeteria at that early hour. A new senior manager joined the organization, and upon witnessing this phenomena, issues a directive that all supervisors were to limit employees to scheduled break times only. The manager's intended result was to improve productivity by having workers spend more time performing their function. The result was not an improvement in productivity but rather a slow but steady breakdown in morale that was in direct proportion to quality defects in production.

What the senior manager did not realize was the extent of informal networking and relationship building that happened during the morning coffee breaks. Many employees from different departments spent the time interacting, chatting about some work situations and/or problems while building friendships in a pleasant, non-threatening environment.

These relationships enabled the workers to more easily work through challenges later in the day as they were more comfortable with one another, knew who to contact to get answers, and because they knew they would have that opportunity to see one another again at another morning break. The change in culture from one that was relaxed and supportive of employee networking shifted to one focused upon efficiency. The value of the internal networking eroded over time. Employees felt a loss as a "perk" of the job had been taken away and nothing given to replace it. The internal culture became more stifled and insular. Formal channels of communication and decision-making were now used to resolve issues, which took more time, as employees were less familiar with one another and each other's issues. Thus, while employees might be spending more time at their workstations, the overall performance of the firm suffered rather than improved. Even a "minor" change such as this can have a tremendous impact upon the organization's culture and therefore its ability to perform.

Psychological contract and commitment

Entry into any organization or group begins with an agreement about membership, responsibilities, and rights. Many of the terms of belonging are stated, such as when to show up, how long to stay, what to do when there, who to ask questions, and who to follow for commands and directions. Benefits for belonging and performing acceptably are also usually articulated such as rate of the pay and related compensation factors, work location and tools, supplies, etc. However, often there are "unwritten rules" that either are unspoken or are assumed. It is usually expected that the new member will learn these unwritten rules over time and through experience.

Together, these agreements form what is called the psychological contract. That is, it is a set of expectations created through initial interactions when joining a group. It is a key opportunity to include information about the organization's strategy and to explain how the new member's group function fits within that strategy as well as what the new member can do to contribute in a constructive manner.

Many lower level employees are often unaware of the organizational strategy or, if known, how his or her individual actions make a difference in achieving the strategy. This time of entry into the organization when the psychological contract is being developed is a prime opportunity to build an awareness

of the strategy and set an expectation of activities to positively contribute to it.

Many new employees are focused upon immediate concerns such as where do I work, how much will I get paid, who will I work with, how will I be trained to do my job, etc. During this period of time the worker is often somewhat anxious about fitting into the existing set of other workers, and of becoming successful at the task at hand. Information about the corporate strategy is often lost or forgotten during this initial period of welcome. Later, after having become established within their position within the firm, patterns of thinking and behaviour likely become set into routines and an awareness of the larger industry environment and competitive positioning of the organization might seem beyond the realm of that employee's sphere.

Thus, organizations might consider regular internal information campaigns that inform and renew interest and commitment in strategic initiatives. The psychological contract creates an expectation of actions and behaviours. Building an awareness of the role of strategies into that initial contract could well build a regular sense of participation and commitment for individual workers.

Methods to shape internal culture to fit new strategies

There are many tools available to leaders of an organization to enact a change in the internal culture. Most of the tools can emerge from a keen understanding of what members value. An awareness of the components of organizational culture can give managers an opportunity to make either incremental or radical changes so that a new strategy can be blended into the organizational climate. A clear understanding of the written and unspoken rules, the assumptions, the rituals and legends, and the accepted practices of behaviour all can be used to identify features of the culture to influence.

The structure of the organization can be used to begin a change in culture (Galbraith *et al.*, 2002). If the organization is traditional in design with many layers of management, the slow introduction of cross-divisional teams can begin to break down the rigid barriers of a functional structure. The occasional application of a matrix organization where some employees have both direct and dotted-line reporting relationships with other departments can also begin to blur the formal organizational lines of authority and communication (Bartlett and Ghoshal, 1990). The intentional but slow injection of these different structural aspects can begin to soften a climate of

command and control into one of more cooperation and collaboration (Bryan and Joyce, 2005; Sy and D'Annunzio, 2005).

The opposite might be needed as well. An organizational climate may be too fluid and easy-going for the forecasted future and the strong demands of a new strategy. A disciplined approach to sales and production might be needed to handle a dramatic increase in volume. Concerns about managing quality control could also be reasons for a focus upon the care employees use to perform their functions. Employees may be asked to more carefully adhere to work schedules and/or to reduce some of their casual interactions. The introduction of an annual employee review process with elements related to schedules, error rates, goal attainment, etc., would likely convey a message that more attention to detail is needed. Any change, of course, will be meet with some resistance, but as noted above, focusing upon the identification of a critical mass of key influencers within the organization, gaining their understanding and commitment for the change, can be a tremendous help in its implementation.

In addition to changes in organizational structure, other efforts can be made to help shape the informal culture. The general ambience of employee break areas, workstations, offices, and public areas within the facility can be decorated differently to reflect desired attitudes built into new strategies. Simple posters can be printed that express a quick "sound bite" about a new attitude or behaviour and posted in high traffic areas. Leaders can include some of these sound bites in their routine communications with both internal and external stakeholder groups. Values can be openly expressed, and emphasis placed upon the specific values that are most desired and useful for the new strategies. Even legends of past successes can be brought forward again, only this time with an emphasis upon the aspects of the situation that are appropriate for the new competitive attitude needed to implement the intended strategy.

The assumptions underlying deeply held beliefs could also be used to influence a cultural change. For instance, a large, public state university has a culture that seems to assume a value of choice. That is, employees seem to believe they have choices to make in just about all aspects of their jobs—especially the faculty. While this concept of choice is not written in documents or spoken about in official communications, it seems to be commonly understood that employees have a choice and a related role in decision-making. Therefore, management does not just arbitrarily make decisions and announce them. Instead, issues are brought forward into public arenas

(such as the faculty senate or the daily campus newspaper) and options for action discussed in open forums. Employee input is sought. Given this background of a deeply held belief in choice, few employees expect to have managers dictate orders to them. Employees expect to be consulted and be part of the decision process, even if they are not formally empowered to actually make a final decision.

In this climate, introducing a new strategic direction for the organization requires preparing the culture for a change. It might include informing the employees about the need for change; about the financial or competitive forces that are impacting the way business has been conducted in the past versus what is happening now, and why the past behaviours would not be sufficient for the future. The timing of decision-making might become more compressed as competitive pressures require the institution to react quicker than it has in the past, and employees would need to have this explained to them. The time to have open forum discussions and elicit input from the entire community may no longer be possible. These types of explanations deal with the unspoken assumptions that drive the present culture of choice and help members understand why those assumptions can no longer be used, why they may not have the opportunity to choose as they have in the past, and why new processes and actions are needed.

Summary and conclusion

Organizational culture is recognized as one of the most powerful forces in determining an organization's success. Resistance to goals and strategic plans from those within the organization can doom such efforts before they have any opportunity to succeed. Therefore, understanding what constitutes an organizational culture and how to influence it is a key aspect of effectively formulating and implementing strategic plans.

As discussed, leaders have many tools available to them to help guide and shape their organization's culture. A key starting point is developing a deep awareness of the components of the culture that are highly valued, and carefully using those aspects to reshape attitudes and behaviours. Formal tools such as organizational design in structure, lines of authority and communication are possibilities. Informal tools such as legends, traditions, ceremonies, and rituals can also be used to enact change.

Notice, however, that some of the cultural aspects may be considered so important to the members that they take on

a sense of having become sacred. For example, a past leader may be held in such high regard that any attempt to show what that person accomplished (and how he or she might have been done it) is not appropriate for today's condition could backfire. Members may resent any implication that the icon of the past would not be sufficient for today. Thus, any effort to influence a change in culture should be carefully examined to anticipate resistance and should be introduced slowly.

New strategies often call for major changes within an organization. Members typically do not desire radical change as it generally creates a threatening environment filled with uncertainty. Members generally like the comfort of the known and the established patterns of acceptable behaviours within the firm. The angst created by rapid change can overshadow the efforts needed to implement any new strategic plans. Thus, great care should be exercised in making changes to an organization's culture driven by strategies, and it should be done slowly so that members have time to absorb the change and adapt.

Case study

Steven Davis was quietly stunned at the behaviour of the employees—both managers and staff—throughout the entire company. He had been hired as the new General Manager and today marked the start of his fourth month in the position. Davis was stunned because he learned that none of the employees were used to making decisions and were clearly not comfortable doing so. He found himself GM of a resort with mangers who were order-takers but not thinkers or risk takers.

Reston Hotel and Resort is a premier property located in Hilton Head, SC. As an upscale resort, the majority of their customers are economically and socially in the upper stratus of American society. The hotel had been open and operating for slightly more than 30 years. Robert "Bert" Tanner, whose family originally helped build the town of Hilton Head, founded the company fresh out of high school using some family oceanfront land as collateral for a loan to build the hotel. With a careful mix of salesmanship, support from his family, and an eye for product quality and consistency, Bert had developed his 250-room resort into one with sales exceeding $400 million annually and employed more than 420 people.

Bert Tanner had been diagnosed with Parkinson's disease about 8 years ago. The first 5 years after he learned the news had been rather uneventful in terms of his health and he had

been able to run the resort with his usual vim and vigour. Bert ran a tight ship and made all of the decisions. He was deeply involved in everything: no detail, or project, or advertisement was too unimportant for him. Some employees used the phrase "ruled with an iron fist" to describe his leadership style. However, all loved him dearly and believed passionately in his vision and ability to lead the company. For these workers, Bert *is* the company.

But the past 3 years had become very difficult for Bert. The disease had taken its toll on him physically and he simply could not do as much work as he had been used to doing. However, Bert was not a person to willingly let go of his "baby." He had built the resort from scratch by himself and he was not interested in finding a successor. For Bert, hiring a successor was tantamount to resigning. The hotel was his life and he had no desire to leave. In fact, he had named the resort in honour of his mother (Reston is her maiden name), demonstrating how emotionally invested he is in the company.

Eighteen months ago Bert stopped coming into the office every day. At first he tried to work daily for 4+ hours, but that proved to be too taxing. After a few weeks of that, he changed to coming in two or three times a week, staying for no more than 1 to 2 hours at a time. Bert had not shared authority with any of his managers so he still needed to review and approve projects, spending decisions, sign cheques, etc. The paperwork kept building up but Bert was not able to handle it all in a timely manner. As a result, the business generally slowed down. Workers sometimes waited weeks for a decision to proceed. Although deeply concerned about the health of the business, the employees were so deeply attached to Bert, so enamoured by his charisma, that none were willing to confront Bert with the situation and ask for a new leader.

Finally the day arrived that Bert simply could not get to the office. The board of directors held a meeting with him at his home and Bert finally acknowledged that he was not able to run the resort anymore and they should seek a new GM. While there was relief among the board members that this difficult step had been taken, they now faced an even more daunting challenge: how to find a new leader.

Given that Bert was such a forceful leader, his board of directors was basically a sounding board and rubber stamp agent. The members knew they had been invited to the board to provide gentle advice—and strong disagreements with Bert were not desired. Thus, the board members were not used to "taking charge" and had no process for working among themselves without Bert.

The search took the board about 8 months to complete. The first 3 months were wasted while the board members cautiously jockeyed for position. None were willing to be seen quickly stepping into the leadership for fear of being accused of pushing Bert out of the company. Finally, a search committee was formed and given the charge to find a new GM. The search committee interviewed a number of executive headhunting firms and finally selected one to undertake the task.

Out of that cumbersome search process emerged Steven Davis. Steven had learned about the resort's history during the interview process and certainly had everything he had heard about Bert confirmed by the employees he spoke with while visiting the property. With 25 years of experience in lodging management and having led two other mid-sized resort hotel complexes in another part of the country, Steven's experience appeared to make him a good fit with Reston Hotel and Resort.

The first 3 months on the job were hectic, as Steven needed to complete two key tasks at once. First, he had to learn about the resort's operations in detail so that he could make informed decisions. That took quite a bit of time and a number of detailed conversations with various people throughout the property. Second, he had to handle the backlog of decisions that were desperately needed in a number of departments. The second task was very difficult, as he had not yet completed the first task of learning the operations thoroughly. It was a delicate balancing act made especially difficult since none of the managers were comfortable with making recommendations or with handling lower level issues. Everyone waited for Steven to give them directions and to make decisions.

Steven's dilemma, then, was how to transform the organizational culture from one that idolized the founder who had centralized all decision-making into a hotel that encouraged a sharing of the responsibility and authority needed to operate the well-established business. From what Steven could assess, the resort continued to be profitable merely because of a long-standing reputation in the resort community and not because of any particular new business or general increase in demand. It made him realize that the resort could be much more efficiently lead if all decisions did not have to flow through his office. With that improved efficiency resources could then be used to increase sales and grow the business. The question for Steven then was what to do to change the culture so that these deeply entrenched, long-standing employees became willing to "take charge" without damaging the reputation, admiration, and success of Bert Tanner so that the resort would continue to be a success under his leadership.

Questions for discussion

1. Who should Steven Davis include in his efforts to transform the resort's internal culture? Why? Who should he exclude initially? Why?
2. What are some of the terms or phrases Steven should use when discussing this with the employees? Should he prepare different approaches for managers than that of the non-management staff?
3. Steven decided he needed a plan of action to make this change. Develop a conceptual action plan for him. Remember to include a timeline and benchmarks for measuring progress.

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