

“Oh no – don't talk to me about culture change programmes. They don't work. Anyway, it all sounds like another of those psycho-babble topics that are beloved of academics, but that are of little significance to real-world business people.” This is a common and understandable reaction. We agree – most culture change programmes don't work, but organisational culture is important, if the idea is to build an organisation that delivers in strategy and short term objectives.

First, what organisational culture is not. There is a view amongst many business people that organisational culture is a 'soft and squishy' idea that is fine for HR types and academics to spend their time talking about, but is not important to business leaders. This view could not be more wrong. Now to what it is. Here is the definition of organisational culture found on Wikipedia:

“Organizational culture is an idea in the field of Organizational studies and management which describes the psychology, attitudes, experiences, beliefs and values (personal and cultural values) of an organization. It has been defined as "the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization.”

This definition continues to explain **organizational values** also known as "beliefs and ideas about what kinds of goals members of an organization should pursue and ideas about the appropriate kinds or standards of behaviour organizational members should use to achieve these goals. From organizational values develop organizational norms, guidelines or expectations that prescribe appropriate kinds of behaviour by employees in particular situations and control the behaviour of organizational members towards one another.”

This type of definition tends to reinforce in people the belief that organisational culture is an arena for academics, but not for business leaders. If the key messages in the definition are extracted, however, and distilled down to a simple statement, then the importance of organisational culture becomes clear. Organisational culture is critically important because it is organisational culture that drives behaviour; and it is behaviour of one kind or another that is the only thing that drives performance. Thus, if high performance is the aim, then an enabling organisational culture becomes vital.

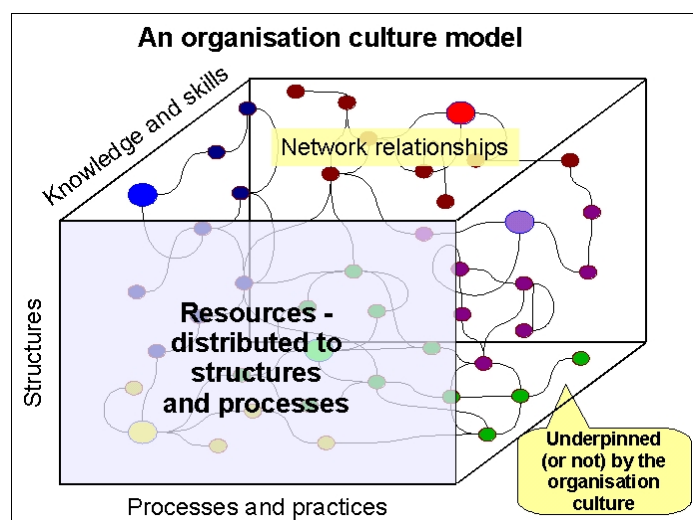
So, if conventional culture change programmes don't work, why not? And if organisational culture is so important, what should be done to ensure that it is enabling high performance and not getting in the way?

Firstly - the challenge ...

Part of the problem is the lack of a simple definition of what is meant by organisational culture, as demonstrated above. Terms such as values and beliefs; behavioural norms; and organisational styles are bandied about with little clarity or explanation of why they are used and why they are important.

Another is that it is not possible to define the actual culture of an organisation – at least not objectively. How is it possible to measure a 'value'? Or a 'belief' for that matter?

Moreover, research tells us that organisational culture cannot actually be designed and installed – it can only be discovered. This is because organisation cultures are very complex, (illustrated above), and they are the product of a highly complex, interconnected series of inputs. Hence they are beyond the



reach of simple 'design and communicate' (exhortation) exercises to change them.

The complexity arises from the sources of organisational culture – this is a complex and often subtle series of inputs, acting singly and in combination with each other, that tell employees what is permissible and what is prohibited behaviour. The inputs are generally never written down and published – that is, they are not explicit. They are implicit messages contained in a variety of features and characteristics of the organisation. They include:

- Stories that are told about past events, peoples' actions and the consequences of them
- The decisions and actions of individual managers
- Symbolic messages contained in the designs of organisational structures and processes
- The design and content of artefacts around the place of work, including the workplace itself
- Marketing and other PR messages emanating from management

Given this degree of complexity and subtlety, and the fact that so many drivers of organisational culture are implicit and not explicit, it should not be surprising that the track record of trying to change behaviour by talking at people – popularly known as 'management by exhortation' or 'obsessive communications' - is dismal. Management exhortations are often simplistic and occasional events at best. They are mostly contradicted by the complex myriad of other messages coming from the work environment, thousands of times every day, and are drowned out in the cacophony of background noise. They scarcely get attention, and only rarely a positive, action-oriented response.

An example might help to illustrate the low probability of success that 'management by exhortation' is likely to have.

A very large fleet rental company had made the decision to take over responsibility for the residual value of the rental vehicles, at the end of the 3 year lease period – plus the profit opportunity. When someone realised that the condition of the returned vehicle might be such that the underwritten value would not be achieved, it was decided to modify the change over process. Old cars being brought back had to be handed in by 10:00 and the new car would not be available for collection until after 14:00 the following (working) day. In the meantime, the vehicle condition could be checked and a customer invoice for repairs issued if necessary. The fleet was such that there were hundreds of vehicle change overs, every day of the working week, including Fridays.

At about the same time the CEO decided that increased customer focus was essential for the business to stay competitive, so he made a video, exhorting all employees on why they needed to be more customer focused. He insisted that all employees should watch the video. In the employees' perception, this just acted as a break within their working day of telling another customer that '... they could not have their new car until tomorrow ...'. The real message was explicitly clear – the company's bottom line was much more important than its customers.

In this example, no one had issued a statement that the customer did not count; no one had issued a statement that indicated that the only thing that counted was the bottom right hand corner in the P & L account. The design of the changeover process was quite sufficient to get those two messages across to the people who interacted daily with customers – collectively hundreds of times a day. The stories told over coffee and lunch breaks cemented the message, with no effort on management's part at all. So when the MD tried the exhortation route to change employees' values and beliefs, the attention he got was approximately zero – apart from some mystification about his message, and an increase in the levels of frustration for good-hearted employees who actually wanted to deliver an excellent service to deserving customers, but who were constrained by the design of the process.

The story also illustrates that there are essentially two types of sources of organisational culture. The first type we have called 'permissions'. These are the symbolic messages contained in the designs of organisational artefacts, structures and processes, and the decisions and actions of individual managers. (Some of those decisions are manifested in the design of artefacts, structures and processes; other are not).

The second type is the organisational memory that develops over years, often formed by and represented as the stories that are told and recounted by employees to other employees.

For the purposes of this paper, we will ignore management PR and other messages, as, in the main, they don't make that much difference, and are, therefore, not very important.

There is little direct management action that can be taken about organisational memory, and the stories that produce it, so instead we need to focus on the permissions. If we are to improve performance by changing organisational culture, then the only approach that makes sense is to identify the sources of the messages that are the drivers of the organisational culture – the permissions - and then change those that are producing an undesirable result.

A new approach to developing an enabling organisational culture.

If you would like to have a high-performing organisation, with the sort of characteristics depicted in the diagram to the right, then an approach different from the usual 'change programme' and 'change by exhortation' will be needed. The clue is given in that last sentence in the section above.

The first and key step is one of discovery – about the sources of organisational permissions. If there is a statement of organisational values then the discovery approach will need to be slightly modified. This is because there are often very large contradictions between corporate statements about desired values, and the day-to-day experience of employees trying to get their jobs done.



(For a detailed description of these possible contradictions, and the way that they can impact on employees, please see the companion paper to this one entitled Values and Beliefs Description).

In terms of discovery, there are two types that can be applied. The first requires those doing the discovery to work on their own, assessing various aspects of organisational design for implicit messages about what is and what is not important, and hence what is and what is not permitted behaviour. The second type requires those doing the discovery to ask employees in a variety of roles about the implicit messages they are receiving. The latter is preferred, but either will do, and both have the same underlying methodology.

The actual mechanism is quite simple to describe, albeit rather more difficult to apply well. Because of the (sometimes misleading) simplicity of the prescription, examples have been provided below to qualify the simple advice. Stated simply, it is find out what it is that is the source of the real-world values that drive peoples' decision and other behaviour. If you don't like what you find, change the sources to produce values in line with the diagram above. Consider the design of processes and structures, and then consider the decisions and other behaviour of individual senior managers.

How to make it work for your organisation

1 Processes

First, identify all key processes, especially those that involve large numbers of people or are customer-facing, or both. Almost equally important are those processes that are intended to have an impact on employees performance, such as performance management systems, including any sort of reward or other incentive schemes that might be operating. Consider the design of these processes, and ask 'What is the implicit message that is being conveyed about what counts in this organisation?'. A few examples of where process design can contain some unfortunate messages:

- A competency framework that is used in conjunction with a performance management system. It has 5 groups of competencies for all employees except directors. For that small group of people there are 6 groups – the additional one is leadership. The message that everyone except a director is a mere foot soldier is clear enough. Most people have a 'tick-in-the-box' approach to delivering their jobs, and rarely if ever challenge the system.
- An organisation in the motor industry where there are two large silos. In one, contact with the customer is forbidden; in the other, contact with the local dealer is forbidden. Very few employees have not got the message that it is power and status that count in the company, not delivering high quality services to customers through dealers.
- A criminal justice system that requires all decisions concerning administrative matters to be made in the Headquarters of the organisation, not in the Divisions trying to police the territory and get prolific offenders clapped behind bars. The slowness of the whole system, mainly caused by constant references to HQ causes many cases to be lost, especially at weekends, when HQ does not work. Such a shame that criminals can't be persuaded to work a five day week like HQ departments!
- A large organisation where all expense claims have to be approved by central Finance before they can be paid – the signature of the local manager, running a multi-million pound a year operation, was not deemed sufficient. One claim for meeting expenses was rejected on the grounds that there was no agenda attached. The agenda was created after the event, the claim re-submitted, and subsequently paid. No checks were made about what the added value of the meeting was, or even if it actually happened at all.
- Then there is the organisation where people were asked what value the organisation's performance management system actually added to performance. Generally they were mystified about the question. When it was explained more carefully, their reaction was that the purpose of the system was actually all about ensuring that if the organisation needed to fire anyone, then the performance management system would hold all the evidence needed to enable it to avoid ending up in an industrial tribunal hearing. A quick check revealed that the supposed performance management system was actually a form of assessment, with ample boxes to be ticked and grades to be awarded to meet its purpose.

2 Structures

Much the same thinking can be applied to the design of structures, although this is often the least significant of the sources of real-world values. In fact, the second example above illustrates both types of permission. Here are a few more:

- A common form of structure is by product type or group. There is little specifically wrong with this, in R & D or manufacturing. There may not be in marketing and sales, but there might be if there is an intent to gain competitive advantage through a focus on excellent customer service. There might also be problems if sales people representing different products groups are calling on the same buying accounts. Competition between sales people can be very damaging to overall sales - especially, if there are financial incentives for the sales people!

- A common form of structure in sales organisations is by territory. Again, little wrong with this, depending on the type of customers being sold to. If there are major customers who have buying locations in several different places, there may well be competition between sales people, again compounded by financial incentives, if they exist.
- To what degree can and should business units be autonomous is often a cause for much debate. If all services are controlled by central functions, that might be good for efficiency, but may be less effective for effectiveness. If the budget is totally controlled by the centre, problems are almost bound to follow. Reversing the earlier example, where a process illustration also applied to a structural issue, here it is noted that the structural issues relating to central control can be compounded by processes that also send the wrong message. If for example, all decisions to switch funds between budget heads, need the approval of the centre, ...
- The accountability for business results is often confused between marketing and sales. If this occurs, and there is competition for resources, and conflicts are occurring around access to customers, and the decisions that are made in relation to them, then accountability becomes diffused, and confusion normally follows and results suffer.

3 Management behaviour

Finally, we move on to the behaviour of individual managers. These are generally easier to explain, and most of us have experienced positive signals and the other type. As before, rather than long explanations, we provide examples to illustrate:

- There are managers who ask lots of questions about short term numbers – maintenance results – and then complain when they can't get people to think strategically. We know a large organisation where the CEO checks daily on performance – what was delivered in the last 24 hours; progress on individual orders; and expected deliveries for the next 24 hours. When challenged with the suggestion that the organisation lacked any sort of real strategic focus, the MD protested strongly that the allegation could not possibly be true since the Board discussed strategy at every Board meeting. His subsequent discovery of the harsh realities of life on the shop floor, drove a complete change in his personal management style.
- The MD of a medium sized firm distributing large construction machinery wanted everyone to be more innovative. The problem was that when anything went wrong, he personally led the search for 'someone to blame'. He would not accept that even the use of the word 'blame' was a problem in itself, and continued to complain about his employees unwillingness to innovate to improve performance.
- The MD of a firm that specialised in financial products for people wishing to find a safe investment for their surplus cash, complained bitterly about the quality of the marketing materials that were offered to him. They were 'so bad' that in his view he had no choice but to edit every single offering before it went for publication. Speaking to the marketeers revealed a rather different story. In their experience, however hard they might try, including incorporating ideas developed through collaboration, the MD always changed whatever they produced. In those circumstances, it was more sensible to take the easy route, and reduce their effort to the minimum 'get away with it' level.
- There was a chief officer of police who collected what was possibly the only corporate MBA in the history of that prized academic award. He commissioned research by bright police officers in the force, put his own name on their reports, and then submitted them as part of his course work. The same chief officer dismissed as 'psycho-babble' the work done by a bunch of operational officers, sergeants and staff, which had been intended to form the basis of the force's submission to an independent inquiry into policing. After an indignant sergeant sent in the submission anyway, ignoring the chief officer's instruction to destroy the document, the same chief officer graciously stood up to accept, on behalf of the force, the award for 'best submission' that the operational officers' work had received.

- In one large financial services organisation, many senior people had adopted a mental stance towards their market, and the services they provided to it, that might have been appropriate to a monopoly position, but was totally inappropriate to a market where new competition had already arrived, and with more coming over the horizon. Middle management, who were in touch with market realities, expressed their concerns to one Director at a departmental meeting. His response to the suggestion that it might be a good idea if he did something about the impending threat produced the response: “If any one of you wants to put their job on the line, and carry that message to the Board, good luck to you. For sure, I will not”.

4 Artefacts

Perhaps just one example will illustrate the point about artefacts also conveying messages to employees about what does and what does not count.

- There is a very large distribution company that, at the time in which this story was set, had 72 distribution depots around the UK. At every one, the two parking spaces next to the main entrance were reserved for the Managing Director and the Operations Director. As 'ordinary employees' struggled in to work, past the two empty parking spaces, in rain, sleet, snow and wind, they got the message very clearly that only status counted ...

5 When organisational cultures are in conflict

The circular diagram on page 3 of these notes can be regarded as a 'universally desirable' organisational culture. This is a highly practical device for bringing two organisations closer together, culturally speaking. As a generalisation, one of two organisations that need to collaborate will have more power than the other. This can lead to tensions, if there is a perception that one organisation has to become a lookalike for the other – that is, if one is seen as trying to impose its culture on the other.

If a common external model is used by both organisations, in their desire to achieve a more enabling culture, then those tensions all but disappear. As both organisations develop towards a shared external model, inevitably they become closer together, and the conflict between what were two different organisational cultures becomes that much smaller and easier to manage.