Recognizing Organizational Culture in Managing Change

Structural changes can serve as the initial intervention for shifting culture.

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The dramatic increase in products, markets, enhanced technology, and robust competition has led to a dynamic global business environment. Companies that have flourished in the 21st century are those that have learned to respond to turbulence by managing change effectively.[1] Most organizations are aware of the need for change; however, the challenge lies in implementing strategies that stick. For a number of reasons, including a lack of understanding of deeper organizational issues or a failure to recognize the cross-functional implications of change,[2] system-wide change often goes awry.

The purpose of this article is to examine how organizational culture influences the likelihood of success for change strategies, and to provide tools for the reader to apply within his or her organization. Evidence suggests that organization members are more inclined to embrace change when the organization's culture is aligned with the mission and goals of the company.[3] Although senior management may espouse a set of values that they assume defines the organizational culture, the reality is that the way members perceive what is rewardedand what they believe to be the underlying messagewill constitute the "real," in-use culture of how things are accomplished.[4] Therefore, we suggest that a cultural analysis be undertaken to facilitate the planning and implementation of organizational change.
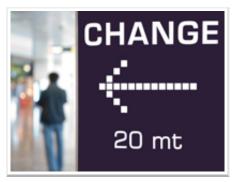
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Understanding culture can be useful in two ways. First, cultural insight provides awareness of the extent to which organization members are willing to accept change; and second, a cultural assessment is likely to determine the root cause of the problems that impede stronger performance.[5]

Measurement of Organizational Culture

By investigating two disparate organizationsa family-owned business and a global manufacturing companythis article describes ways that management can utilize cultural assessments to increase the likelihood of success in managing change. The Goodwin Company, an organization specializing in contract packaging of household and automotive cleaning products, and Patagonia, a global brand supplying high-quality outdoor clothing and equipment, provide examples of this phenomenon. In both cases, the instrument used to assess culture was the Integrated Cultural Framework (ICF), which was adapted by the authors from the work of Hofstede[6] and Kluckhohn and Strodtbeck.[7] The ICF has been used to analyze culture across a number of companies and industries and stands up to reliability and validity testing.[8] The dimensions of measurement include:

- **Ability to Influence:** The extent to which organization members have an opportunity to influence decision making.

- **Comfort with Ambiguity:** The extent to which members are comfortable with uncertainty and risk taking.
- **Achievement Orientation**: The extent to which members are assertive, goal-directed, and achievement-oriented.
- **Individualism versus Collectivism:** The extent to which individual versus group loyalty exists.
- **Egalitarianism:** The extent to which equal opportunity exists for advancement.
- **Time Orientation:** The extent to which the organizational goal/mission is focused on values from the past, present, or future.
- **Space Orientation:** The extent to which the physical layout of the organization is public, private, or a mix of both.

The 35-item ICF survey was initially used to collect responses from organization members. Following the collection of survey data, an extensive number of interviews were carried out to provide more substantive information concerning organizational culture.

Goodwin Company

For several years, Goodwin Company, founded in 1922 by Thomas A. Goodwin, manufactured and sold its own line of household cleaning products. However, due to the competitiveness of the retail market, its focus shifted to contract packaging and distribution in the household, industrial, and automotive cleaning markets. Only the original product, Goodwin's Ammonia, maintains the Goodwin label. Still a family enterprise, Goodwin Company currently has approximately 300 employees and manufacturing and distribution facilities in Los Angeles, California, and Atlanta, Georgia.

In response to concerns about increased labor costs and stagnant revenues, an organizational culture study was launched to determine the appropriate change strategy. Forty-three members of the organization, including managerial and clerical staff, completed the ICF survey and 13 one-on-one interviews were conducted.

The results revealed the following key findings:

- **Ability to Influence:** The data indicated that the ability of employees to propose and implement change in the company was low. The interviews suggested that marginal regard for input had caused the staff to become discouraged and had reduced motivation for process improvements.
- **Individualism/Collectivism:** Although Goodwin Company espoused teamwork as a core value, feedback from the management teams in California and Georgia indicated a low level of trust among management, which resulted in a lack of collaboration among the managers.
- **Time Orientation:** The data showed that employees viewed the company as focused on the past and present while lacking a strategic plan for the future.

Proposed Structural Changes

Given the results of the study, three recommendations were presented to the management team:

1. Establish a strategic management group that meets weekly to address business challenges, coordinate travel between facilities, and find common ground to build trust.
2. Give employees, customers, and suppliers a voice and increase their ability to influence policy and procedures. Initiate an electronic comment box for employees, and implement surveys on customer service and supplier satisfaction.
3. Establish a company vision and mission statement to encourage a sense of ownership, and incorporate management teams from Atlanta and Los Angeles to spearhead this effort. Relocate artifacts, such as

company photos from the early years and bottles from the product lines of the 1930s and 1940s, to both facilities in order to acknowledge the company's history and longevity and encourage teamwork between members of the two offices.

Outcomes

The establishment of the strategic management team proved to be very beneficial. By having the management team travel between facilities, the group developed a better understanding of the challenges at both locations, and they began to build a baseline of trust. The resulting collaborative effort of the team yielded two new contracts. In addition, Goodwin Company was certified by a major chemical manufacturer as a top facility in the nation, which resulted in requests for manufacturing proposals that would not have been possible without improvements in cooperation among regional managers.

Challenges

Goodwin Company was able to correlate changes that emerged in response to the organizational culture study; however, not all of the recommendations produced the desired results. For example, the customer service surveys did not yield the expected outcomes due to a lack of customer response. Additional customer contact will likely be necessary for future surveys to be effective. And although the recommendation to create a vision, mission, and values statement was originally well received, the management team eventually backed off the project, deciding that the company vision should come from its CEO.

Patagonia

Patagonia's corporate headquarters are located in southern California and the company has overseas offices in Japan and France. Revenues in 2007 totaled $275 million and the firm currently has 1,300 employees worldwide, with 382 located in the corporate office. In 1966, founder Yvon Chouinard was dissatisfied with the conventional equipment used in adventure climbing and so he redesigned and manufactured almost every climbing tool to make each stronger, simpler, more functional, and environmentally friendly. From that operational base, Chouinard Equipment, which later became Patagonia, expanded to include outdoor and casual clothing and a line of underwear. The unique mission and focus of the organization was to make the best products, cause no unnecessary harm, and rely on the business model to inspire and implement solutions to the environmental crisis. Chouinard's management principles were captured in a self-published book, *Let My People Go Surfing: The Education of a Reluctant Businessman*.[9]

Although the essence of Patagonia's initial philosophy has survived, increased growth and operational complexity have created challenges for the organization in its quest to remain committed to the mission. To better understand the underlying issues and develop a strategic direction, an organizational culture study was initiated. Using the ICF, 27 surveys were completed at the corporate office along with 15 one-on-one interviews with 4 senior managers and 11 mid-level managers from 8 departments.

Key Findings

- **Ability to influence**: The data showed that organization members felt they had a moderately high degree of opportunity to influence, but the inclusion of their input also led to a prolonged decision-making process.
- **Comfort with ambiguity**: Although the climate seemed to foster innovation and encourage risk taking, the lack of a systematic feedback process minimized the flow of ideas. In addition, the dilemma of attending to what appear to be dichotomous goals—attaining a profitable return while maintaining a commitment to environmentally safe products—created a challenge.
- **Individualism/Collectivism**: Patagonia attempted to build community by establishing an on-site

childcare center, comprehensive health insurance, and a family setting. However, the company employs a large number of unique and creative independent-minded people, and in supporting innovation, it created a sense of individualism, as well as a limited incentive for teamwork.

Although Patagonia has been successful, the study indicated that to remain competitive, the organization needed to address the duality of encouraging individual creativity and promoting a collaborative work environment, particularly as this duality related to the corporate mission. In addition, it appeared that information flow and decision-making efficiency needed to be addressed.

Outcomes

The organizational culture study was presented to the Board of Directors, who recognized the need to enhance productivity by reinforcing the organization's mission and emphasizing the importance of a collaborative environment. The following structural changes emerged:

1. The human resources director was appointed to the senior management steering team to assist in the development of a strategic training initiative. Training courses were developed to provide skills directed toward facilitating performance management feedback, improving communication skills, and enhancing negotiation capability in dealing with suppliers.
2. A new employee training manual was created to better educate new hires regarding the organizational structure and the flow of product lines from development to sales. The purpose was to build teamwork and collaboration and to emphasize the company's core values related to quality, integrity, environmentalism, and the desire to not be bound by convention. In addition, Yvon Chouinard's book[10] was presented to each hire with the hope of inculcating new members to the principles associated with the organization's mission.
3. All employees are now encouraged to participate in the Patagonia National Park protection program in Chile and Argentina to reinforce the importance of the mission statement and its meaning in their work. Employees receive a salary and all related expenses are paid by the organization during the three-week program.
4. The selection process for hiring new members was reviewed with a focus on measuring candidates' knowledge and skills, particularly their ability to work in a team.

Challenges

Shifting a culture that has to some extent moved away from the values established by its founder is always a challenge. A number of Patagonia's high performers have been successful because of their innovative talents. However, unless these individuals are also able to recognize the importance of collaboration, in the long term, the organization may not be able to respond in a timely manner to competitive pressure.

Lessons Learned

The article examined two distinct organizations, a family-owned operation and a global manufacturer, which utilized a cultural framework to determine underlying organizational issues. In both cases, the plans of action were system-wide and strategic. Although each company experienced favorable outcomes, considerable follow-up strategies must still be implemented before significant change is realized.

Image: Andrew Johnson

Cameron and Quinn[11] claim that organizational improvements are unlikely without culture change as an initial step in the process. But culture change is illusive, requires lengthy interventions, and, for many

organizations, is either too costly or too time-consuming, making successful transformation problematic. This study offers another perspective. Although culture change is necessary in creating and reinforcing organizational transformation, our position is that making necessary structural changes may serve as the initial intervention for shifting culture. At Patagonia, changes in how new members are socialized may bring about a commitment to organizational values and encourage a team-oriented mindset. The impact of these initiatives is likely to result in norms that reflect organizational objectives. Goodwin Company's focus on enhancing collaboration, particularly among the management team, may result in continued dialogue between members, which will hopefully become embedded in their working relationships. In conclusion, the creation of structural initiatives that incentivize the desired ways of accomplishing goals may be more effective in responding to inefficiencies than a commitment to changing culture, which, over time, may naturally occur as shifts in behavior emerge.

[1] John Kotter, *The Heart of Change: Real Life Stories of How People Change Their Organizations*, (Harvard Business School Press, 2002).

[2] Janet Parish, Susan Cadwallader, and Paul Busch, "Want to, Need to, Ought to: Employee Commitment to Organizational Change," *Journal of Organizational Change Management*, 21, no. 1 (2008).

[3] Edgar Schein, *The Corporate Culture Survival Guide*, (California: Jossey-Bass, 1999); Sally Riad, "Of Mergers and Cultures: What Happened to Shared Values and Joint Assumptions," *Journal of Organizational Change Management*, 20, no. 1 (2007).

[4] Chris Argyris, "Teaching Smart People How to Learn," *Harvard Business Review*, 14 (1991).

[5] Celeste Wilderom, Ursula Glunk, and Ralf Maslowski, "Organizational Culture as a Predictor of Organizational Performance," in the *Handbook of Organizational Culture and Climate*, Eds. Neal Ashkanasy, Celeste Wilderom, and Mark Peterson, (California: Sage Publications, 2000).

[6] Geret Hofstede, *Culture's Consequences: International Differences in Work-Related Values*, (London: Sage Publications, 2001).

[7] F. Kluchhohn and F.Strodtbeck, *Variations in Value Orientation*, (Illinois: Row, Peterson, 1961).

[8] Mark Mallinger and Gerard Rossy, "Film as a Lens for Studying Culture and its Implications for Management," lecture, presented at the Western Academy of Management, (Redondo Beach, CA: 1999); Mark Mallinger and Gerard Rossy, "The Trader Joe's Experience: The Impact of Corporate Culture on Business Strategy," *Graziadio Business Report*, 10, no. 2 (2007); Mark Mallinger and Lindsley Boiney, "An Interdisciplinary Approach to Teaching Organizational Culture," presented at the Western Academy of Management, (2002).

[9] Yvon Chouinard, *Let My People Go Surfing: The Education of a Reluctant Businessman*, (Penguin Press HC, 2005).

[10] Ibid.

[11] Kim Cameron and Robert Quinn, *Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework*, (California: Jossey-Bass, 2006).

About the Author(s)

Mark Mallinger, PhD, is a professor of applied behavioral science at the Graziadio School of Business and Management's at Pepperdine University. He teaches in the full-time, fully-employed, and executive programs. Dr. Mallinger is a management development consultant and has published works in a number of academic and practitioner journals.

Don Goodwin, MBA, obtained his BS in Business Administration from Pepperdine University's Seaver College and his MBA from Pepperdine's Graziadio School of Business and Management. Don is a fifth-generation family member in the Goodwin Company, his family's contract packaging and distribution company, which began operating in 1922. Hired originally as the Director of Purchasing, his focus has changed to encompass overall responsibility for the operations of the company, specifically software integration and modernization. He is currently focused on the day-to-day operations of all departments and on helping to develop the strategic direction for the company's future.

Tetsuya O'Hara, MBA, attended Doshisha University in Kyoto, Japan, where he received a bachelor's degree in economics in 1985. He was then employed at Teijin Limited, a multinational chemical company in Osaka, Japan, where he was in charge of sailcloth from 1985 until 1995, and contributed to America's Cup as an official sailcloth supplier. In 1992, he won the Most Valuable Employee Award at Teijin. In 1996, he moved his family to Connecticut to work for Dimension Polyant Sailcloth, Inc. As Executive Manager, he developed new materials, including polyester-laminated fabric for NASA's environmental research balloon. In 2003, he moved his family to California to join Patagonia, Inc., as Director of Material Development and Advanced Concepts. There he manages the raw material sourcing, development, new business concepts, and new technologies for the product lines, along with finding materials that are the most environmentally friendly. He received his MBA from Pepperdine's Graziadio School of Business and Management in 2008. The United States Patent Office approved his scientific inventions and granted him patents in January 2000 and July 2008.

Comments

I have read the article and it has been very helpful to me in understanding the role of corporate culture on organisational leadership. I wish to acknowledge the authors and publishers for their dedicated work in impacting knowledge on us. May god bless them. I wish to ask if i could be getting newsletters pertaining human resource development issues and topics to enlarge my knowledge and skills in this field.

Trackbacks

1. Mark Mallinger, Ph.D. | Pepperdine Business Newsroom - Graziadio School of Business and Management

The ICF Survey is no longer available from this website. Do you have directions where it might be purchased or otherwise found?

Thank you.

Thank you for this thorough review of business culture and change.

I've found that leadership has to understand the corporate culture before it can truly begin to make the change happen. It's one thing for leadership to say "we're changing." It's an entirely different ball game to get the entire company on board with the message. I've just finished a book called Transforming Corporate Culture by Lisa Jackson and Gerry Schmidt, two leading change consultants. Their message is clear: understand your corporate culture and then impart change within that framework. They present a vision for concrete steps leaders at all level of an organization can take to actually see change happen. It's amazing when it does.
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