Organizational culture diagnosis - a new model

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Abstract

Organizational culture is a key source of competitive advantage. There is a demonstrated relation between organizational culture and organizational performance. This paper reviews previous research in the field and introduce a new model for understanding, diagnosing and changing organizational culture. The main advantage of the new model is based on regarding culture as the management and work practices that are either hindering or helping an organization's bottom line performance.

Keywords: organizational culture, organizational performance, cultural model, culture diagnosis, cultural change.

Introduction

Organizational culture is a key source of competitive advantage. Understanding, diagnosing and conducting interventions to change organizational culture will impact the overall organizational performance. This paper reviews previous research in the field and introduce a new organizational culture model allowing management consultants and management teams to obtain insights and initiate interventions to increase performance.

The paper begins by discussing the concept of organizational culture and the impact on organizational performance. This first section is followed by a review of various approaches to measuring organizational cultures that have been presented in the literature. The third section introduce an overview of a new organizational culture model, including a discussion of the conceptual framework and definitions of key concepts and dimensions. The fourth section of the paper summarizes the results and indicates further needs for research.

Organizational Culture and Organizational Performance

There is considerable agreement as to the general definition of organizational culture and most cultural models and diagnosis tools define culture as: "a set of cognitions shared by members of a social unit" (O'Reilly, Chatman, & Caldwell, 1991, p.491), or more fully: "a system of shared values and beliefs that produces norms of behavior and establish an organizational way of life" (Koberg & Chusmir, 1987, p.397) .

This latter definition is important because it pinpoints that the culture construct can be

equivocally understood to deal with "major beliefs and values" (Goll & Zeitz, 1991), or alternatively as "norms and patterns of behaviors and norms"(Gundry & Rousseau, 1994).

According to Schein's (1981, 1985, 1992) theory, organisational culture is defined as „A pattern of shared basic assumptions that the group learned as it solved its 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 a correct way to perceive, think and feel in relation to those problems. According the Schein, organisational culture is the learned result of group experiences, and it is to a large extent unconscious (Schein 1992). Schein considers culture to be a three-layer phenomenon: artifacts and behaviors, espoused values, and assumptions.

"Artifacts", the most superficial manifestations of culture, and "basic assumptions", the deepest layer of culture have been typically studied using qualitative approaches. Values and behavioral patterns have been measured using quantitative instruments. Organizational values refer to the principles which underlie patterns of behaviors and norms. Patterns of behaviors and norms have been defined as the "ways of thinking, behaving, and believing that members of a social unit have in common" (Cooke and Rousseau, 1988).

Compared to values, behavioral norms would be easier to learn and they could be readily influenced by the organization, through the management practices. As Gundry and Rousseau (1994) put it: "newcomers are likely to experience and incorporate as their own the more perceptible and concrete aspects of culture such as norms and patterns of behavior before they are able to internalize values". Indeed, Hofstede (1990)'s data show that the different organizations within the same national culture could be distinguished from the behavioral norms (day-to-day practices) they differently adopt and not from their values. Because of their sensitivity to change and to inter-organizations variations, behavioral norms questionnaires produce information particularly useful for the purpose of intervention.

Grounded on the considerations mentioned above we define culture as management and work practices which are either hindering or helping an organization's bottom line performance.

Comprehensive research projects (Kotter and Haskett, 1992, Gordon and DiTomaso, 1992, Collins and Porras, 1994, Sorenson, 2002) demonstrate that culture drives business performance. They all point to the same conclusion: organizations who sustain great performance over time have four common traits embedded throughout

the entire organization that make it possible for them to adapt and execute:

- Leaders who provide crystal clear vision and mission (far beyond being financially related) and who know how to meaningfully engage all employees and create deep pride, accountability, and ownership for the vision and mission (versus "paycheck entitlement" mentality).
- Leaders who manage change and risk as a positive and necessary function of business (versus developing risk-aversion).
- Employees who practice effective teamwork and co-operation, and are able to reach consensus on dificult issues (versus "it is not my business" and "each one for him/herself" mentality).
- A level of organization and control which maintains both flawless execution capacity and organizational flexibility (versus paralysing beaurocracy).

The Comparative Measurement of Organizational Cultures

Organizational culture researchers have long debated whether cultures can be compared and measured. Some researchers have concluded that the "deeper" levels of culture such as symbolic meaning, semiotics, and underlying beliefs and assumptions are no subject to comparative analysis and are best understood through clinical or ethnographic methods (Schein, 1992; Van Maanen, 1988). Whereas other culture researchers, while acknowledging the limitations of comparative research for understanding the deeper levels of culture, have persisted in the development

of systematic approaches to comparative measurement.

Qualitative approaches used in initial research on organizational culture assess culture along unique dimensions, reflecting the inner view of organization's members. Although rich in detail, this process has two inherent weaknesses: (a) the dimensions of culture identified in one milieu through this approach are idiosyncratic and not necessarily relevant in another context, (b) this approach is unable to produce culture information coherently linkable to major outcomes such as organizational performance (e.g., Cameron & Freeman, 1991) and individual behaviors (e.g., Koberg & Chusmir, 1987). To allow comparisons across organizations and to study relationships between organizational culture and other constructs, several quantitative measurement instruments have been designed.

For example, one of the first approaches to be developed (Cooke & Lafferty, 1989) created the Organizational Culture Inventory, which was based on perceptions and expectations regarding behavioral norms. This approach identified twelve cultural styles in three categories: constructive styles, passive/defensive styles, and aggressive/defensive styles.

A second approach to the comparative measurement of organizational culture has grown from the work of Hofstede (1980) on national differences in work practices. Working from the set of items and dimensions developed in cross-national research, Hofstede, Bond, and Luk (1993) and Hofstede, Neuijen, Ohayv, and Sanders (1990) have developed a set of six dimensions of organizational culture from a study of 20 Dutch and Danish firms. Their dimensions

included process vs. results orientation, employee vs. job orientation, parochial vs. professional orientation, open system vs. closed system, loose vs. tight, and normative vs. pragmatic.

A third approach is based on the Competing Values Framework for cultural assessment distilled by Quinn and Rorbaugh (1983) from analysis of Campbell's longer list (40 descriptors/dimensions of organizational culture) into a four dimensional pattern: clan, adhocracy, hierarchy and market. The OCAI (Organization Culture Assessment Instrument) developed by Quinn and Cameron (1999) has six categories in which you distribute 100 points between four sub-items for each that represent the four Competing Values cultures: dominant characteristic, leadership style, management of employees, organizational glue, strategic emphasis and criteria for success.

Comparative measures of organizational culture have also been developed by researchers interested in the socialization and selection of new employees (Chatman, 1991; O'Reilly, Chatman, Caldwell, 1991). This line of research identified eight dimensions of culture (innovation, attention to detail, outcome orientation, aggressiveness, supportiveness, emphasis on rewards, team orientation, and decisiveness) that were used to assess person-organization fit in a public accounting firm. This method was used to predict the level of satisfaction of new employees and the likelihood that they would leave the firm.

Each of these approaches grew out of a specific research agenda and defined the relevant dimensions of culture in a way that served that research agenda. Each of them also made important contributions to their own line of research and helped to shape the research that followed.

Ashkanasy, Broadfoot, and Falkus (2000) have presented an extensive review of eighteen survey measures of organizational culture that shows a wide range of approaches. Also, a comprehensive study by Delobbe, Haccoun and Vandenberghe (2002) reviewed twenty organizational culture questionnaires to identify the commonality among cultural dimensions. The dimensions included in their model are: recognition-support, commitment-solidarity, innovation-productivity, control, and continuous learning.

The model introduced in this paper followed a similar process by focusing specifically on the issue of organizational culture and organizational effectiveness and developing an approach to understanding organizational culture that help to explain differences in the performance and effectiveness of organizations.

Overview of the Organizational Culture Model

The new organizational culture model that is the focus of this paper is based on the functions of culture: external adaptation and internal integration (Schein, 1992). The model uses the two functions as a framework. The two axes describe various types of culture on a continuum ranging from external focus to internal focus (external adaptation) and from stable to flexible (internal integration).

This framework generates four types of organizational culture: Co-operating, Innovating, Harmonizing and Organizing. Each of these cultural types is measured with two component dimensions.

We developed a questionnaire with 66 items measuring the eight dimensions of the

organizational culture model and 7 items measuring organizational performance perceptions. The organizational culture mix of an organization has a direct influence on organizational performance (as shown in the literature). The organizational performance is measured by: quality, customer satisfaction, employees loyalty, sales, market share, profit and social responsibility. This section of the paper provides an overview of the model and definitions of the key concepts and dimensions.
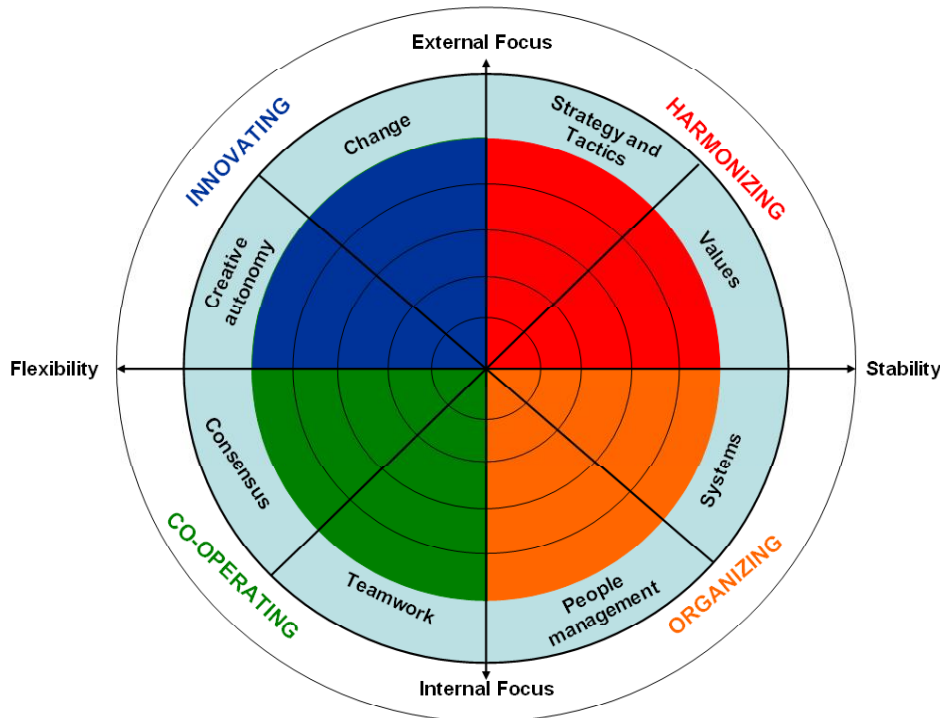
This model is focused on a set of tensions. The trade-off between stability and flexibility and the trade-off between internal and external focus are the basic dimensions underlying the framework. A competitive organization has a dynamic balance between this tensions at a level appropriate to the position it has during lyfe cycle, industry and market specifics.

The four cultural types described in the model are: Co-operating, Innovating, Harmonizing and Organizing.

1. Co-operating. This type of culture is positioned in the area generated by internal focus and flexibility. The Co-operating culture is focused on teamwork, dialogue and development of competencies. The organization is a friendly, family-like place. Leaders are mentors concerned with employees' development and morale. Teamwork is encouraged in achieving goals and objectives, and in problem solving. Consensus building communication is widely used. The long term focus is on developing competencies, consolidating the team and creating a supportive climate to ensure employees loyalty and involvement. This culture is measured with two dimensions.

1.1. Teamwork. Working cooperatively in problem solving and achievement of goals and objectives for which all employees feel mutually accountable is valued and encouraged. The different teams and departments within the organization are capable to work very well together to accomplish common goals. Organizational boundaries do not interfere with getting work done.

1.2. Consensus. Members of the organization are able to reach agreement on critical issues, reconcile differences when they occur and solve conflicts in a constructive manner.

2. Innovating. This type of culture is positioned in the area generated by external focus and flexibility. The Innovating culture is focused on adaptability to market in a creative way. The organization is a creative, dynamic, flexible, client-oriented and entrepreneurial work space. The organization transform market trends in adaptive actions for change which generate value for clients. Leaders are innovators and risk takers. They encourage creative autonomy, inititiaves and experimentation. The long term focus is on developing new services and products, new markets, new resources and on continous improvement. This culture is measured with two dimensions.

2.1. Creative autonomy. Employees have the authority, initiative and responsibility to manage their own work and to innovate.

2.2. Change. The organization is able to read the business environment, react quickly to current trends, anticipate future changes and to create adaptive ways to meet customers' changing needs and wants.

3. Harmonizing. This type of culture is positioned in the area generated by external focus and stability. The Harmonizing culture is focused on values centered leadership which seeks alignement of strategy, systems and people with organisational values, vision and mission. The organization has a clear direction. Individual objectives give a sense of orientation for each employee to understand how he or she contributes to the achievement of the overall goals of the organization. Organizational values are used in decision making and are reinforced by leaders' behaviours and other systems. Leaders are charismatic and visionary. Employees are proud of their work and the organization which makes control in these organizations internal (self-control) and informal. This culture is measured with two dimensions.

3.1. Values. Members of the organization share a set of values they live by in the day-to-day activities and decision making. This creates a sense of identity and a clear set of expectations.

3.2. Strategy and Tactics. The organization has a clear and challenging vision for the future, a mission which provides pride and significance to employees and objectives which give a clear direction for each employee in his/her daily activities.

4. Organizing. This type of culture is positioned in the area generated by internal focus and stability. The Organizing culture is focused on efficiency. The organization is led by systems, rules and procedures. Leaders are organizers and co-ordinators. They require a high level of predictibility in obtaining results within time and budget. The long term focus is on work processes standardization to

obtain flawless and efficient execution. This culture is measured with two dimensions.

4.1. Systems. Organizația dispune de sisteme informaţionale, decizionale şi organizatorice care au ca scop obţinerea cu eficienţă a rezultatelor dorite.

4.2. People Management. The organizations select people based on carefully defined profiles, continually invests in the development of employee's competencies, evaluates performance and offer rewards based on clear criteria in a stimulating way.

Conclusions

We introduced here a new organizational culture model linked to organizational performance. In an organizational setting, althought this approach has a limited focus on the instrumental aspects of organizational cultures, it will help to legitimate a broader discussion of the deeper levels of organizational culture and the influence that underlying beliefs and assumptions have on individual behaviors and organizational systems.

In time, using the new model and the questionnaire in a variety of industries and organisations we will be in a position to create a benchmark against which other organisations can compare their scores and design interventions.

Further analysis will be conducted in three phases: The first phase will provide evidence of internal consistency for the eight dimensions and validate the theoretical structure of the assessment. The second phase will demonstrate that respondents' ratings of organizational culture, as measured by this assessment, are sufficiently homogeneous to permit their aggregation into organization level characteristics. The third phase of the analysis will establish the criterion-related validity of the culture assessment in predicting organizational effectiveness.

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