

Assessing and Changing Organizational Culture

Ken Hultman, Ed.D., LCPC

INTRODUCTION

Culture, sometimes called *organizational culture* or *corporate culture*, has been described as “the way we do things around here.” Every human group has a culture, including nations, subgroups within nations, and business organizations. Culture consists of:

- Beliefs, which are underlying assumptions, conclusions, and predictions
- Values, which are standards of importance based on beliefs
- Norms, which are standards for behavior based on beliefs and values

Values and beliefs are psychological constructs, internal to a person. Organizations as such don't have values and beliefs, but their cultures are shaped by them to the extent that they are shared or *aligned*.

PURPOSES OF CULTURE

The primary functions of corporate culture are to help an organization defend itself against perceived threat, maintain the status quo, and foster growth. All three are necessary, but they need to be in the right balance. Cultures placing too much emphasis on protecting against threat or maintaining the status quo may fail to adapt to changing conditions or take advantage of emerging opportunities. Also cultural factors linked to past success tend to resist change, even when these become outmoded.

LEVELS OF CULTURE

Three levels of culture can be distinguished:

- The *espoused culture*, defined by verbal and published statements
- The *actual culture*, consisting of both formal and informal patterns of communications, and
- The *desired culture*, reflected by the organization's vision for the future

Argyris & Schon (1974) distinguished between *espoused theories*, which is how people say they will behave, and *theories-in-use*, which is how they actually behave. Discrepancies between the espoused and actual cultures almost always exist, since progress toward vision is a process of continuous improvement. This isn't necessarily a problem if employees perceive the organization as moving toward the espoused culture, as reflected in the behavior of leaders and managers. If employees fail to perceive this, however, the espoused culture will likely be viewed as hypocritical and manipulative.

Discrepancies between the actual formal and informal or “shadow” cultures undermine organizational trust. While the informal culture isn't articulated in official statements and policies, its subtle pressures and demands often exert a powerful influence on behavior.

Reducing a formal/informal culture gap is important for increasing trust and building alignment to vision.

Why is culture assessment and change so important? A survey of 2,200 executives, managers, and employees conducted by Booz & Company (see Aguirre, D., von Post, R, & Alpern, M. (2013) reported the following results:

- 84 % of respondents believe their organizational culture is critical to business success.
- 60 % said culture is more important than the company's strategy or operating model.
- 96 % said some form of culture change is needed within their organization.
- 51 % believe their organization is in need of a major culture overhaul.
- 45 % do not think their culture is being effectively managed.

ASSESSING AND CHANGING CULTURE

A number of books discuss the process of culture assessment and change (see, for example, Buckingham & Coffman, 1999; Collins & Porras, 1994; Hultman, 2001; and Schein, 1992). The following blueprint for planning and implementing culture change is sub-divided into *Data Collection* and *Plan Development and Implementation* phases. Any initiative to assess and change culture should come from the very top; otherwise, it is unlikely to work and may even backfire. Also if changes are made before current values are assessed, they may serve to reinforce the existing culture, aspects of which could be outmoded. Changing corporate culture is one of the most strategic actions leadership can take—the underlying beliefs, values, and norms that define a culture shape strategy for better or for worse. To be effective, culture change must apply to all organizational levels, from leaders to unskilled workers; a culture won't support growth unless everyone is aligned and is expected to abide by the same standards.

Data Collection Phase

Data collection action steps are as follows:

A first step is *assessing current culture*:

- Involve all stakeholder groups in the process, i.e. leaders, managers, employees, customers, suppliers, and stockholders
- Use a combination of instruments and interviews, and gather other relevant information about the company
- Identify current purpose, vision, and goals
- Identify underlying beliefs that support current values and norms
- Decide which current purpose, vision, goals, beliefs, values, and norms you want to keep and which ones need to be changed by addressing these questions:
 - What's working now and why?
 - What isn't working now and why?
 - How can you strengthen what's working, eliminate what isn't working, and change what needs to be fixed?

A second step is *defining the desired culture*:

As in the first step, involve all stakeholder groups in the process

- Clarify new realities that make culture change necessary
- Select values, beliefs, and norms that:
- Fit the organization's context, i.e. the needs of customers, the situation in labor markets, and the conditions in financial markets

- Consider all key constituencies (customers, employees, and stockholders) and encourage leadership across all organizational levels
- Allow the organization to adapt to a changing environment
- Support short-term performance and efficiency without compromising more strategic, long-range goals
- Respond to employee needs
- Foster movement toward vision and goals, and eliminate or de-emphasize outmoded cultural factors

Plan Development and Implementation Phase

Steps for developing and implementing a comprehensive plan are as follows:

A first step is *developing a set of norms based on the desired values and beliefs*. The norms should specify both acceptable and unacceptable behaviors.

A second step is *developing a plan for closing the gap between current and desired vision, goals, values, beliefs, and norms, and deciding how it will be implemented*.

A third step is *working toward alignment (compatibility) between employee and organizational vision, goals, values*, so that the latter can become truly shared by addressing these questions:

- What does the organization want (organizational interests)?
- What do employees want (employee interests)?
- In what ways are the wants compatible (aligned)?
- How can areas of compatibility (alignment) be enhanced?
- In what ways are the wants in conflict (misaligned)?
- How can areas of conflict (misalignment) be reduced?

A fourth step is *embedding desired values in management systems*:

Initiate incremental changes in strategies and practices to keep the organization's culture in tune with environmental realities (Kotter & Heskett, 1992).

- Align the culture with vision, goals, strategies, tactics, and organizational design
- Use the culture to guide strategic planning, set priorities, make decisions, solve problems, and resolve conflict
- Provide training in the new culture
- Orient new employees to the culture
- Use the culture to select employees, guide day-to-day supervision, and evaluate performance
- Use the culture to define criteria for advancement, and to set training and development objectives
- Build the reward system around the culture
- Coach, counsel, and mentor for consistency between culture and behavior
- Hold everyone from top-down accountable for acting in accordance with the culture

A fifth step is *dealing with resistance to change*:

- What resistance do you expect to these changes?
- How can you prevent or minimize this resistance?

A sixth step is *working toward continuous improvement in aligning values, beliefs, norms, practices, and external realities.*

A seventh step is *reassessing the culture regularly.*

Related Topics

See:

- *Leadership*
- *Organizational transformation*
- *Organizational mission, vision, and values*
- *Group process*
- *Strategic planning*
- *Overcoming resistance to organizational change*

Selected References

For more information, see:

Aguirre, D., von Post, R., & Alpern, M. (2013). Culture's role in enabling organizational change. Booz & Company.

Argyris, C., & Schon, D. (1974). *Theory in practice: Increasing professional effectiveness*. San Francisco: Jossey-Bass.

Buckingham, M., & Coffman, C. (1999). *First break all the rules: What the world's greatest managers do differently*. New York: Simon & Schuster.

Collins, J. C., & Porras, J. I. (1994). *Built to last: Successful habits of visionary companies*. New York: HarperBusiness.

Hultman, K. E. (2001). Balancing individual and organizational values: Walking the tightrope to success. San Francisco: Jossey-Bass/Pfeiffer.

Kotter, J. & Heskett, J. (1992). Corporate culture and performance. New York: The Free Press.

Schein, E. H. (1992). *Organizational culture and leadership* (2nd Ed). San Francisco: Jossey-Bass.

See Related Web Links

<http://www.odnetwork.org> (Organization Development Network)

<http://gsmith@theisod.org> (International Society for Organization development)

http://humanresources.about.com/od/organizationalculture/Organizational_Culture_Corporate_Culture_in_Organizations.htm

ABOUT THE AUTHOR

Ken Hultman, Ed.D., received his doctorate in counseling psychology from Rutgers University and has over 40 years of experience as an organization development consultant, trainer, and coach. He is the author of six scholarly books, including *Making Change Irresistible: Overcoming Resistance to Change in Your Organization* (Davies-Black, 1998), *Balancing Individual and Organizational Values: Walking the Tightrope to Success* (Jossey-Bass/Pfeiffer, 2001), *Values-Driven Change: Strategies and Tools for Long-Term Success* (iUniverse, 2007), *Becoming a Genuine Giver: Overcoming Relationship Barriers* (Trafford, 2007), and *Becoming a Person of Destiny: Discovering and Fulfilling Your Life's Purpose* (Trafford, 2012). Ken's

article, "Evaluating Organizational Values," received the 2005 Organization Development Journal outstanding article award. In addition, his article, "Managing Resistance to Change," is downloaded on-line between 10-20 times daily by professionals worldwide. Ken is a Licensed Clinical Professional Counselor and an approved LCPC supervisor.