Organizational Culture: The Mantra for Organizational Success

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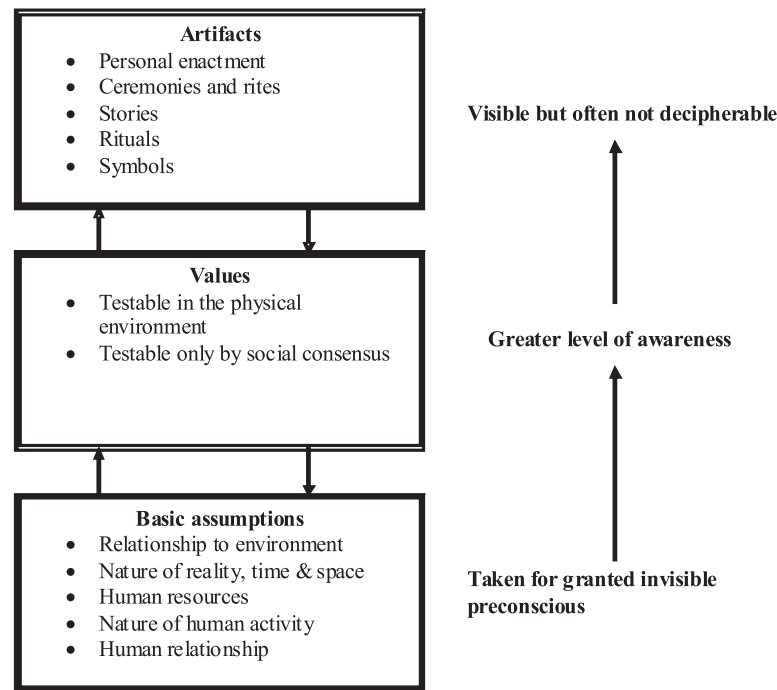UPES, Dehradun, Uttrakhand*

Abstract

What is it that makes an organization a successful establishment has been the interest of entrepreneurs, academicians, managers and researchers since the time of industrial revolution. Many scholars ranging from economist to social scientists have proposed various theories, models and principles for organizational success. But none of the framework is complete rather they are complementary to each other. In order to understand the root cause of success of an organization, one needs to look beneath the financial data, structure, and strategies into the more subtle area of organizational culture. If the organizations wish, that it's People, physical resources strategies to be a source of competitive advantage an understanding of the culture of the organization is important otherwise outstanding action plans can be annulled by a culture incompatible with those action plans.

In this chapter the author explores the concept of organizational culture, the factors influencing organizational culture and the role of leaders in influencing the organisation wide decision making and creating performance centric environment and team work and thereby achieving the organizational effectiveness. The chapter also explores the relationship between organizational culture and performance.

Key Words*: Organizational culture, Performance*

Introduction

The Oxford dictionary defines culture as "the customs and beliefs, art, way of life and social organization of a particular country. This means it refers to the underlying values, beliefs and codes of practice that makes a community what it is. The customs of society, the self – image of its members, the things that make it different from other societies, are its culture. Culture has long been the focus of management theorists; the concept of cultures in organizations was suggested to as early as the Hawthorne studies. The topic came into its own during the early 1970s. Over the years, several articles and books on corporate culture were published. Many definitions of corporate culture or organizational culture have been proposed. Almost each one of them agree that there are several levels of cultures and that these levels differ in terms of their visibility and their ability to be changed. Edger Schein (1985) argues that culture has three levels - artifacts - espoused values - basic underlying assumptions

Artifacts
- Personal enactment
- Ceremonies and rites
- Stories
- Rituals
- Symbols

Visible but often not decipherable

Values
- Testable in the physical environment
- Testable only by social consensus

Greater level of awareness

Basic assumptions
- Relationship to environment
- Nature of reality, time & space
- Human resources
- Nature of human activity
- Human relationship

Taken for granted invisible preconscious

Source: Debra L. Nelson & James Campbell Quick, Organizational Behaviour: Foundations, realities & challenges, fifth edition, chapter 16, pp 531)

Personal Enactment

The behavior of the organizational members is the reflection of the organizational Culture. Personal enactment is the behaviour of the individuals as well as the groups that reflects the organization's values. In particular, personal enactment by the top managers provides insight into these values. Sanjay Koul, President Hydrocarbon Research foundation, India exhibits personal enactment by meeting personally with new employees and conveying to them his philosophy of mixing education and research with fun. There are several stories of personal enactment of Herb Kelleher. Herbert "Herb" David Kelleher, the co-founder, Chairman Emeritus, and former CEO of Southwest Airlines, about making southwest airlines' culture friendly, fun filled, egalitarian, and collaborative.

Ceremonies and Rites

The activities and behaviors that are displayed by the organization as a whole time and again on important occasions are known as organizational ceremonies and rites. These occasions provide opportunities to reward and recognize employees who exhibit the desired behaviour according to the value system of the company. These send a message that individuals who both espouse and exhibit corporate values are heroes to be admired. The ceremonies also bound organization members together. The Annual Family connect are the important annual ceremonies of UPES. Almost 500 stakeholders and their family members attend this annual event. The annual meeting is a big family reunion. The day is also celebrated as the award giving ceremony to the performers. Although the meeting does not begin until 10 am, people start arriving at 7 am for the extravaganza held for the associates. Because it is the primary vehicle for perpetuating UPES's culture, videos of meeting are played in other centers of UPES to motivate memebrs who are unable to attend**.** Researches have identified six kinds of rites. Rites of passage, Rites of achievement, Rites of renewal, Rites of integration, Rites of conflict reduction and Rites of degradation

Stories

Stories are the tales about the organization, its leaders and people. Tales give meaning and identity to organizations and are especially helpful in orienting new employees. The age old practice of storytelling is one of the most effective tools leaders can use. But they need to pick their stories carefully and match them to the situation. (Stephen Denning, Telling Tales, HBR, May 2004). Researches have identified certain themes such as reaction of top leaders towards the

mistakes and the achievement, events leading to employee firings, relocation employees, promotion of lower level employees to the top position, dealing with crisis situations etc that appear in the stories across different type of organizations. For example El – Erian, M.A. (2014) says "Every time I fly Southwest Airlines I come away impressed by what they do and how they do it. You don't have to be a management guru to understand that the company offers insight into one of the toughest corporate challenges out there: maintaining focus, hunger and success in a large organization"

Rituals

Every day organizational practices that are repeated over and over are rituals. They are usually unwritten, but they send clear message about "The way we do things around here." While some companies insist that people address each other by their titles (Mr., Mrs., and Ms.) and surnames to reinforce professional image, others prefer that employees operate on first name basis. UPES values open communication, so its employees can approach the top management any point of time without any prior appointment.

Infosys encourages its employees to challenge the status quo. They are empowered to not just think of breakthrough ideas, but also bring them to life with a powerful global ecosystem of consultants and engineers that help execute these ideas.

Symbols

Symbols communicate organizational culture by unspoken messages. Southwest Airlines has used symbols in several ways. During its early years, it emphasized its customer value by using heart symbol ("love airline") more recently, the airline has taken on the theme of fun. Flight attendants wear casual sports cloth in corporate clours. Symbols are representative of organizational identity and membership to employees. Logo of ITC Hotels, India's premier chain of luxury hotels has become synonymous with Indian hospitality.

Under consideration (2014) says that "Southwest Airlines and its partners did comprehensive research and held numerous focus groups with Employees and Customers to determine how best to create the new look. The airline heard that it was important to remain unique and to retain its personality; for these reasons, Southwest continues to use the vibrant color palate and striped tail that has long identified the carrier, while adding a modern touch, proudly displaying the Southwest name on the side of the fuselage and presenting the Heart on the aircraft belly. Southwest has had several different liveries and logos throughout its 43-year history; remaining current and relevant is critical to the sustainability and future growth of the brand"

Values

The second and deeper level of culture are the values. They reflect a person's underlying beliefs of what should be or should not be. Values are consciously articulated both in conversation and in the company's mission statement or annual report. Values can be quite different from organization to organization. N. R. Narayana Murthy, Chairman and Chief Mentor Infosys says that "an enduring value system based on openness, honesty, integrity, meritocracy, fairness, transparency and excellence, helps raise our confidence and the confidence of customers in the company. It gives the courage to handle tough situations with confidence, and sacrifices become easy and natural". According to G. V. Subramanyam, Vice President – Microsoft Technology Centre and Software Engineering & Technology Labs, Infosys Technologies Limited – Infosys has always encouraged a culture that upheld respect and dignity for the individual, emphasizing meritocracy over hierarchy. The importance of values for the success of business can be understood from the subsequent paragraph – "At the Tata Group our purpose is to improve the quality of life of the communities we serve. We do this through leadership in sectors of economic significance, to which the Group brings a unique set of capabilities. This requires us to grow aggressively in focused areas of business. Our heritage of returning to society what we earn evokes trust among consumers, employees, shareholders and the community. This heritage is being continuously enriched by the fomalisation of the high standards of behaviour expected from our employees and companies". The five core Tata values are – Integrity, Understanding, Excellence, Unity and Responsibility. (As stated in the official web site of Tata motors). ITC hotels have a very strong value system with regard to the customer service. All the employees irrespective of their department is supposed to attend and respond to the customer's call.

Assumptions

The deepest level of organizational culture is that of shared assumptions – Which represents basic belief about reality, human nature and the way things should be done. Assumptions are usually unconscious. Organization members may not be

aware of their assumptions and may be reluctant or unable to discuss or change them.

One key assumption at UPES is that faculty should focus on teaching learning aspects rather than enrollments and career services. Administration and academics alike are committed to a philosophy of trust and the importance of listening to others' thoughts and ideas. Edger Schein argues that culture is the outcome of the shared experiences arising from an organisation's attempts to resolve fundamental problems of adapting to the external world and achieving internal integration and consistency. This constructs a collective pool of knowledge that determines what is appropriate behaviour, directs understanding and gives guidance on how to resolve problems.

Every organization has its own unique culture even though they may not have consciously tried to create it. Rather it will have been probably created unconsciously, based on the values of the top management or the founders or core people who build and/or direct that organisation. Over time individuals (particularly the organization's leaders) attempt to change the culture of their organisations to fit their own preferences or changing marketplace conditions. This culture then influences the decision-making processes, it affects styles of management and what everyone determines as success. When an organisation is created it becomes its own world and its culture becomes the foundation on which the organisation will exist in the world. People's actions in organisations are not always 'their own' but are largely influenced by the socialisation processes of the specific culture to which they belong. Organisational culture is often referred to in the same breath as organisational change - and we often see the process of developing a new culture or changing the existing one linked into the transition curve.

Organizational culture is the personality of the organization. Culture is comprised of the assumptions, values, norms and tangible signs (artifacts) of organization members and their behaviors. Members of an organization soon come to sense the particular culture of an organization. Culture is one of those terms that are difficult to express distinctly, but everyone knows it when they sense it. For example, the culture of a large, for-profit corporation is quite different than that of a hospital which is quite different than that of a university. The culture of an organization can be understood by looking at the arrangement of furniture, what the members brag about, what the members wear, etc

II - How Organizational Cultures are Formed

Like any family, the organizational culture also stems from the philosophy of its promotors and founders. What they feel is important in life, their instrumental and espoused values lay the foundation for the organizational culture. Their assumptions about life, people, products and society are translated into selection criteria of top management which in turn percolates down through selection and socialization. These values, assumptions become the accepted norms and way of life in the organization. There are numerous examples such as Enron, Satyam and Tatas, Infosys etc. which reflect how the philosophy of the founders helped create organizational culture. Diagrammatically this can be represented as
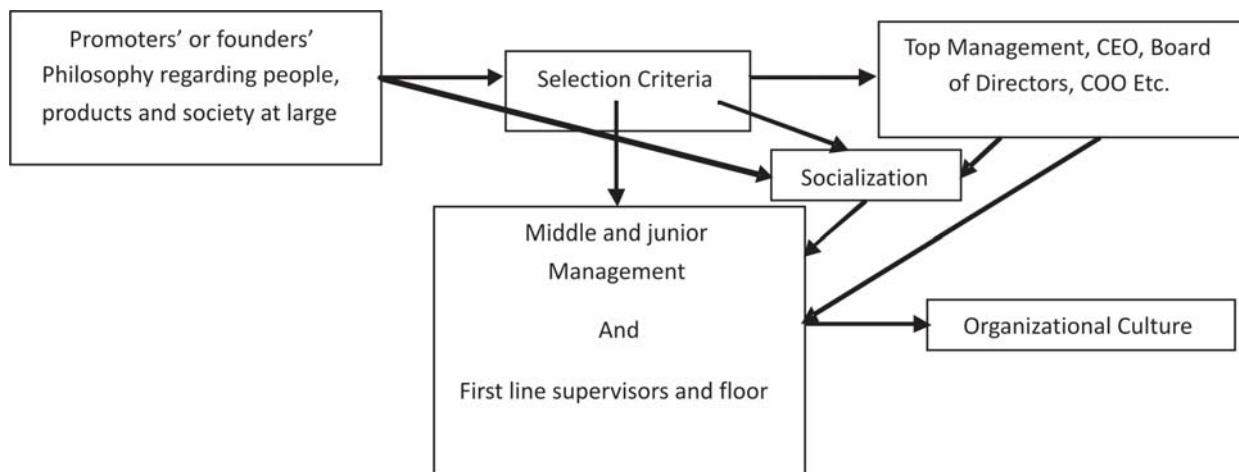
Source: Adapted from Stephen P. Robbins, Organizational Behavior: Concepts, Controversies & Applications, eighth edition, chapter 16, pp 610)

III - Why is it Important?

a) Culture and Success

Although structure and people systems influence an organisation, culture, which is softer, plays a crucial role in the success of a company. Lou Gerstner, who took the helm of IBM in early 1990s when the company was one of the world's greatest corporate disasters, had to focus on an outdated corporate culture. He quickly found that culture isn't simply one aspect of the game — it is the game. Deal and Kennedy (1982) argue that culture is the single most important factor accounting for success or failure in organizations. They identified four key dimensions of culture:

1. Values – the beliefs that lie at the heart of the corporate culture.

2. Heroes – the people who embody values.

3. Rites and rituals – routines of interaction that have strong symbolic qualities.

4. The culture network – the informal communication system or hidden hierarchy of power in the organization.

Peters and Waterman (1982) suggest a psychological theory of the link between organizational culture and business performance. Culture can be looked upon as a reward of work; we sacrifice much to the organization and culture is a form of return on effort. Kanter (1989) refers to the paradox implicit in linking culture with change. In line with its belief that 'People make the difference', TCL invests substantially in nurturing employee potential through involvement, empowerment and continuous learning. The organization structure, which lays emphasis on delegation, has helped develop the company's culture. The structure allows immense scope for continuous improvement; managers do not need to worry about day-to-day operations, and can thus better focus on breakthrough improvements. The delegation of responsibility to lower levels has also helped in developing a culture of initiative and risk taking. The company culture is such that individual as well as teams are recognized for their achievements. Teams are recognized on a quarterly basis based on their performance and some key measures. Teams are also recognized for 'Best Kaizens'. Individual growth is related to one's performance in the team. Thus, team members can not shirk their responsibility. In addition, social loafing is not possible due to peer pressure. Another interesting aspect is that workers are known as associates and not workers. This simple step helps inculcate a sense of belonging and loyalty towards the company. Every team member identifies himself/herself with the team and feels proud to be part of the team. There are a number of inter team contests, team building exercises, constant interaction and counseling by team developer, celebration for every small success.

The phenomenal success of Infosys and the values-driven manner in which it achieved that success led the way in changing several established beliefs and practices. Three aspects are probably the most significant from an employee's perspective. First, the realization that it is possible to deliver world-class work from India. Second, the recognition that employees are the most important assets of any company. And third, the confidence that performance and values can be the sole criteria to be successful in an organization. In fact, Infosys was the first Indian company to implement Employee Stock Option Plans (ESOPs) on a widespread basis, instituting a strong employee ownership within the organization. Infosys has emphasized the culture of the 'Infoscion family' – a culture where employee participation is encouraged, feedback is valued and action is never delayed. (Infosys Annual Report 2005 – 06)

b) Culture and the Management of Change

The concept of culture is particularly important when attempting to manage organization-wide change. Practitioners are coming to realize that, despite the best-laid plans, organizational change must include not only changing structures and processes, but also changing the corporate culture as well. There's been a great deal of literature generated over the past decade about the concept of organizational culture—particularly in regard to learning how to change organizational culture. Organizational change efforts are rumored to fail the vast majority of the time. Usually, this failure is credited to lack of understanding about the strong role of culture and the role it plays in organizations. That's one of the reasons that many strategic planners now place as much emphasis on identifying strategic values as they do mission and vision. If real change is to occur in organizations rather than cosmetic or short – lived change, it has to happen at the cultural level. Corporate culture has many powerful attractions as a lever for change. The problem is how to get a hand on the lever. Firstly, cultures can be *explicitly created* – you have to be aware of what it takes to change an existing culture. The ability of companies to be culturally innovative is related to *leadership* and top management must be responsible for building strong cultures. Leaders construct the social reality of the

organization; they shape values and attend to the drama and vision of the organization. Culture is frequently counter posed to *formal rationality* – in this sense culture helps to resolve the dilemma of bureaucracy; formal procedures are necessary for business integrity but they also stifle autonomy and innovation. The period from the mid 70s has been one of growing uncertainty for firms and in response to a changing environment and business crises adaptable cultures that are responsive to change have become vital. Morgan (1977) focuses on the whole organization, the cultivation of harmonious relations at all levels, the merging of individual with common goals and a reliance on worker responsibility (Japanese approaches) as success factors in organizational culture.

IV - Leaders Role in Shaping and Reinforcing Culture.

Leaders play crucial role in shaping and reinforcing culture. The five most important elements in managing culture are – (1) what leaders pay attention to (2) how leaders react to crisis (3) how leaders behave (4) how leaders allocate rewards and (5) how leaders hire and fire individuals. The Enron Corporation fiasco illustrates each of these roles.

What Leaders pay Attention to?

Leaders communicate their priorities, values and beliefs through the themes that consistently emerge from what they focus on. These themes are reflected in what they notice, comment on, measure and control, employees receive signals about what is important in the organization.

N. R. Narayana Murthy, Chairman and Chief Mentor Infosys asserts that - I would urge Infosys to choose a worthy dream, to go after it confidently, and to play a role that will make all of us proud in the years to come. Nothing seems impossible. This is the time you move on to higher aspirations, and learn to accept failures with equanimity. We need all of this and more for Infosys to achieve bigger and more ambitious targets. (Infosys Annual Report 2005 – 06).

"One hundred years from now, I expect the Tatas to be much bigger than it is now. More importantly, I hope the Group comes to be regarded as being the best in India — best in the manner in which we operate, best in the products we deliver and best in our value systems and ethics. Having said that, I hope that a hundred years from now we will spread our wings far beyond India..." — Ratan Tata.

How Leaders React to Crisis

The way leaders deal with crisis communicates a powerful message about culture. Emotions are heightened during a crisis and learning is intense. There have been many happy events during these 25 years. There have been a few sad moments as well – the departure of valued colleagues; death of a few young Infoscions; and the loss of a few major contracts despite our best efforts. A great corporation must live for hundreds of years. Hence, we are still very young, but these initial years have taught us several lessons. These lessons are valuable not just for our future journey but for other corporations in the country and perhaps, the world. (N. R. Narayana Murthy, Chairman and Chief Mentor Infosys, Infosys Annual Report 2005 – 06)

How Leaders Behave

Through role modeling, teaching and coaching, leaders reinforce the values that support the organizational culture. Employees often emulate leaders' behaviour and look to the leaders for cues to appropriate behaviour.

At the end of the 1950s Bill and Dave decided to write down the company's objectives, which were to serve as guidelines for "all decision making by HP people." Since the company had grown ever larger. With some changes, those objectives are still valid today. They cover as follows: "profit, customers, fields of interest, growth, our people, management and citizenship." And these objectives are to be achieved through team work. (www.silicon-valley-story.de/sv/hp_way.html-4k)

How Leaders Allocate Rewards

To ensure that values are accepted, leaders should reward behaviour that is consistent with the values. The performance-based work culture and emphasis on meritocracy ensure that talented employees get ample opportunities to grow. Every win, big or small, is always recognized and celebrated through Spot Awards at the project level, Rewards and Recognition Programs at the business unit level, and Awards for Excellence at the organization level. The annual, much-anticipated Awards for Excellence recognize and reward those who epitomize one of Infosys' core values – the consistent pursuit of excellence. (Infosys Annual Report 2005 – 06)

How Leaders Hire and Fire Individuals

A powerful way that leaders reinforce culture is through the selection of new comers to the

organization. Leaders unconsciously look for individuals who are similar to current organizational members in terms of values and assumptions. The way company fires an employee and the rationale behind the firing also communicate the culture. One of Infosys' employee-related initiatives has been to recruit engineers and graduates, not necessarily Computer Science graduates, and equipping them to take on roles in the software industry, expanding the available talent pool in India. Moreover, investments in skills acquisition and competency enablement are aligned with project needs and market trends. This focus on assertive talent engagement and the cultivation of crossdisciplinary competencies has enabled employees to remain flexible in a changing environment. You may not find "learnability" in a dictionary, but that has been the prime criteria for recruitment. The model has helped Infosys create one of the finest people forces in the world and has become the industry norm. To attract, retain and motivate the best and the brightest, Infosys has believed in empowering its employees. Infosys was the first Indian company to institute a formalized leadership institute. The company has developed a 3-tier leadership model, based on the belief "the company is the campus, the business is the curriculum and leaders shall teach." Senior members of the Infosys management conduct courses on leadership at the Institute, drawing from their experiences. Infosys has always encouraged a culture that upheld respect and dignity for the individual, emphasizing meritocracy over hierarchy. It has also eschewed any transaction that created an asymmetry of benefits between the founder-employees and other employees. (Infosys Annual Report 2005 – 06)

HP always renounced the "hire and fire" mentality, which meant to employ many workers for a single big order and to dismiss them afterwards. Instead, the company offered its employees "almost perfect job security". Even in 1974, when the U.S. economy was in a profound crisis and many people were unemployed, HP avoided lay offs by a four day workweek, which was a unique measure in corporate America. (www.silicon-valley-story.de/sv/ hp_way.html-4k)

Concluding Thought

An understanding of culture, and how to transform it, is a crucial skill for leaders trying to achieve strategic outcomes. Strategic leaders have the best perspective, because of their position in the organization, to see the dynamics of the culture, what should remain, and what needs transformation. This is the essence of strategic success.

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