

Organizational Culture – Why Does It Matter?

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Abstract

Organizational culture – the “personality” of an organization that guides how employees think and act on the job – is central to the values, beliefs, inter-personal behaviours, and attitudes to stakeholders that determine how the organization does its job. Culture is a key factor not only in achieving organizational goals, but in attracting and keeping desirable employees, creating a positive public image, and building respectful relationships with stakeholders.

This paper explores what organizational culture is, why it is important, and how to change an established culture so that it is better aligned with changes in organizational objectives and work practices.

1. What is organizational culture?

In his seminal 1992 work entitled *Organizational Culture and Leadership*, Edgar H. Schein, Professor Emeritus in the Sloan School of Management at the Massachusetts Institute of Technology, offered a definition of what he called “an empirically based abstraction”.

“Organizational culture”, he said, is “a pattern of shared basic assumptions that was learned by a group 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 the correct way to perceive, think, and feel in relation to those problems”¹.

¹ Schein, Edgar H., *Organizational Culture and Leadership*, Third Edition, John Wiley & Sons, San Francisco, 2004.

The definition applies to organizations of virtually every kind – families, social clubs, work groups, companies, governments, and nations. Over time, each such group develops a set of tacit and explicit understandings, beliefs and practices. It might not be easy to explain exactly what the cultural characteristics of a particular group are, but all of its members understand and conform instinctively to its expectations.

As abstract as the concept of organizational culture may be, it is often grounded in clearly identifiable characteristics. These may include:

A shared understanding of the organization’s mission.

This may be evident in such things as: a formal charter or mission statement; explicit strategies, goals and principles; and staff beliefs and assumptions about why the organization does what it does.

Values that guide decision-making and activity at all levels in the organization.

For instance, it may be evident in the organization’s policies, public statements and activities that it values:

- Safety – the physical safety of staff and the public
- Security – the protection of information and other assets
- Integrity – the reputation of the organization for honesty, high ethical standards, reliable outputs, and impeccable methodologies
- Continuous improvement – with mistakes seen as learning opportunities
- Continuous learning – the creation of rich opportunities for staff to gain new knowledge and skills

The focus and management style of senior officers.

This is often evident in statements that senior managers make about organizational priorities, the management style that they embrace (e.g. Top-down? Consultative?), and staff perceptions about senior management’s main preoccupations and commitment to “walking the talk”.

How employees think of their relationships with management, one-another, partner organizations, and clients.

Are relationships predominantly adversarial, competitive, distrustful, collegial and mutually supportive, etc.?

How an organization conducts its day-to-day business

Much can be learned about the culture of an organization by looking at such things as: its routine processes (e.g. does it routinely audit process effectiveness?); how are decisions made; how much responsibility is given to each layer / staff member in the organization; and, how flexible the organization is in dealing with tasks that are out of the ordinary.

When you put these things together, a distinctive organizational “personality” may become apparent even to casual observers. Organizations develop reputations for being, for example,

bureaucratic or entrepreneurial, innovative or tradition bound, focused or diffuse in their interests, transparent or secretive, responsible and reliable or adventuresome and risky.

Certain elements of an organization's culture may not be readily apparent, including beliefs, values, attitudes, and assumptions. Before embarking on a major change initiative, it is important to identify, as much as possible, these aspects of culture by means of structured survey and assessment activities. A number of effective tools have been developed for this purpose.²

Within the overall culture of an organization, there are often a number of distinct sub-cultures based on such things as professional discipline, unit functions, geographical locations, or employee age and experience. If a change initiative is directed primarily to one such unit or sub-group, it is important to understand its unique cultural characteristics.

2. Why does culture matter?

As Edgar Schein and other management theorists have observed, organizational culture may be an abstraction, but it has powerful effects on the way organizations think and behave. Indeed, having “the right kind of culture” – a culture that is appropriate to the kind of enterprise in which an organization is engaged – is widely acknowledged to be among the most important determinants of how effective or successful the organization will be.

Why is that so?

Culture is important because it shapes:

- What the organization considers to be “right decisions”
- What employees consider to be appropriate behaviours and how they interact with each other within the organization
- How individuals, work groups and the organization as a whole deal with work assigned to them
- The speed and efficiency with which things get done
- The organization’s capacity for and receptiveness to change
- The attitudes of outside stakeholders to the organization

In short, an organization’s culture can be supportive of – or hinder – the implementation of new initiatives and the achievement of its overall goals.

² An example of such a tool is the *Contextual Assessment of Organizational Culture (CAOC)* developed by Kim Cameron and Robert Quinn at the University of Michigan’s Ross School of Business.

3. Why might cultural change be necessary?

When an organization is faced by a changing marketplace or regulatory environment, or has identified the need for a shift in strategic direction, the implementation of a new technology, or the introduction of new processes, the established culture may impede progress unless it, too, is changed. For that reason, the success of major organizational change initiatives are almost always dependent on internal cultural change.

What are some of the main reasons that a regulatory organization such as the IAEA might consider embarking on a cultural change initiative? The reasons might include:

Circumstances change – for instance, the organization finds that it is encountering more instances of false or incomplete declarations that require a different attitude when conducting inspections;

Stakeholder expectations change – for instance, the organization encounters greater skepticism about its conclusions, requiring a culture that places even greater emphasis on the quality of its processes while permitting more transparency about how it performs its functions;

The demographics of the organization change – for instance, the proportion of young people in the work force grows, or a larger percentage of new employees arrive with limited background in nuclear physics, requiring new approaches to knowledge transfer;

The organization's objectives change – requiring new skills, processes and attitudes to meet the objectives;

New technologies are deployed – requiring new cultural attitudes to realize the benefits;

Ingrained attitudes are producing negative outcomes – “What our division does is our business – let other divisions get on with their own business”; “It is better to hoard information than share it”; “Performance isn't rewarded”; “I have an advanced degree, therefore I already know everything I need to know”. Attitudes such as these are indicative of a culture in need of change.

In situations such as those identified above, a formal change management process may help to increase the probability of success, maximize employee and key stakeholder involvement and buy-in at appropriate times, and increase the change competencies in the organization.

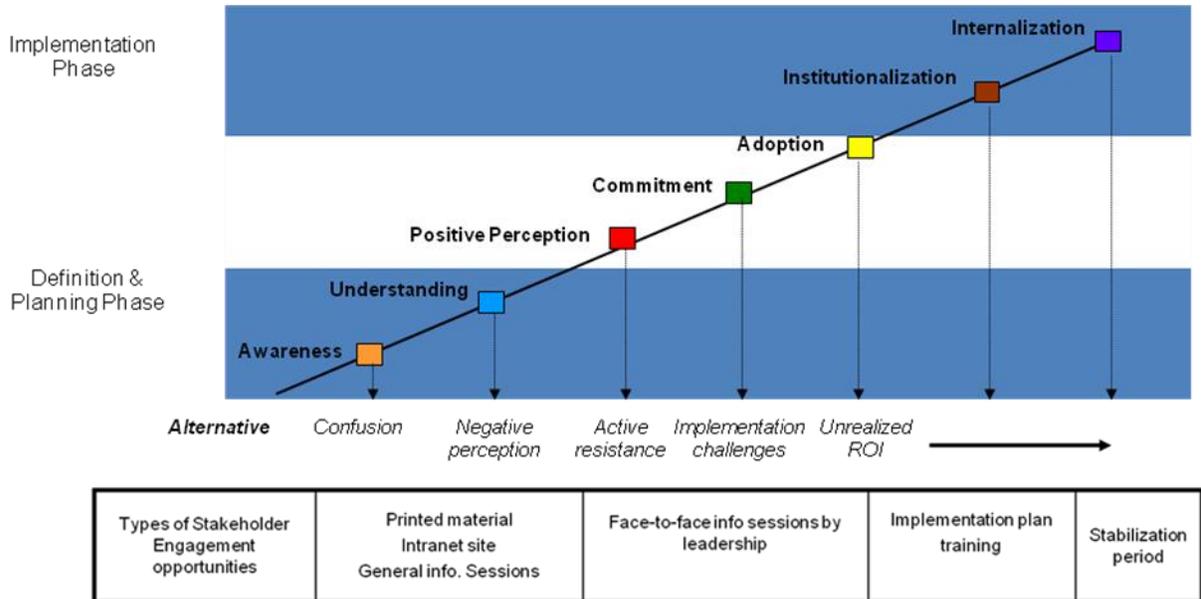
4. What is involved in changing organizational culture?

An organization's culture comes into being over a period of time. A newly formed group has no culture. Only a mature organization has had time for a set of widely shared understandings and behaviours to take root. It follows that an established culture cannot be changed “overnight”. It has also been said that organizational culture cannot be changed directly. What *can* be changed

are processes and behaviours. As employees are informed, trained and equipped to do things in new ways, the culture in which they are embedded changes as a matter of course.

As illustrated in Figure 1, successful organizational change initiatives are usually implemented over a 3-5 year time span in an intensive, incremental process that begins simply with awareness of the need for change and eventually leads to internalization of new patterns of thinking and doing.

Figure 1: The Change Implementation Process



Throughout an organizational change process like the one modelled above, on-going communications to reinforce key themes and messages, and thorough training to impart new skills, are essential to success.

The Task of Managing Change

Managing change entails planning, implementing, monitoring and reporting on a series of tasks and activities required to achieve change objectives.

REACTIVE organizational change is a response to catalysts or ‘triggers’ that lie outside the organization’s control (e.g. new legislation, shifting political direction, seminal events, etc.). Change of this kind must often take place in a short time span, without much opportunity for systematic planning and implementation.

PROACTIVE organizational change is planned and managed within frameworks and methodologies. The goal of these initiatives is to implement new business processes and systems to improve organizational performance. The extent and timing of the change is within the organization’s control.

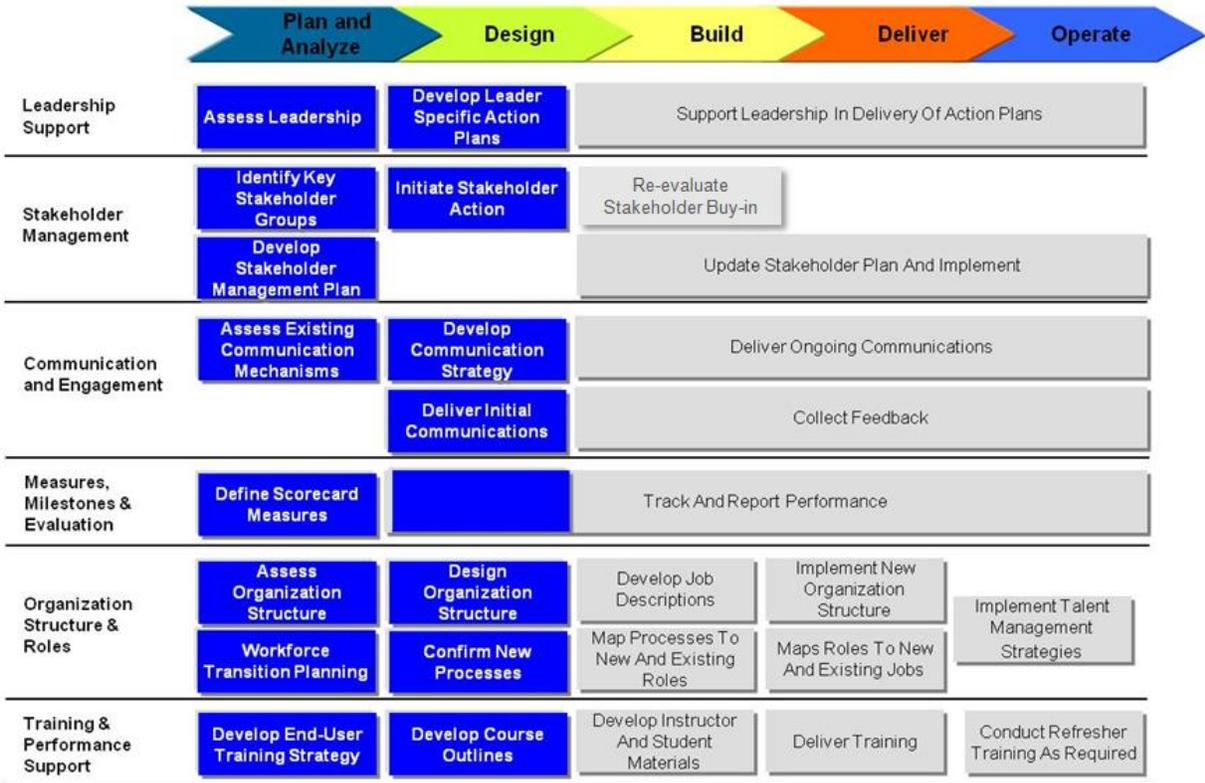
Proactive change management is almost always propelled by an organization's senior leadership, with assistance from advisors who have specialized expertise in change management strategies and frameworks. Effective organizational change is not a 'one approach fits all' affair. The full commitment of a leader or leaders who are widely respected within the organization and who understand the organization's purpose, goals, and business programs is essential to successful organizational change. Change leaders assist all levels within the organization implement organizational and personal change.

Supporting expertise is often provided by management consultants who specialize in applied behavioural science. These resources understand and can adapt and apply models, methods and techniques, tools, skills, and other forms of knowledge to assist organizations implement change. They draw, as required, on resources in fields such as psychology, sociology, business administration, economics, industrial engineering, systems engineering, and the study of human and organizational behaviour. Together, these resources support change initiative by developing the necessary strategies, methodologies and implementation frameworks.

Developing a Change Strategy

The planning framework modelled in Figure 2 underlines the importance of pursuing organizational change by means of coordinated activities of different kinds (left column) in a phased, step-by-step approach (top row).

Figure 2: Change Planning Framework



Activities typical of the first implementation stage include:

<ul style="list-style-type: none"> • Executive briefings on the initiative • Change readiness assessment • Change leadership plan • Communication plan • Orientation session for project team members 	<ul style="list-style-type: none"> • Training plan for team members • Change leadership training • Team building sessions • Leadership alignment • Creativity workshop
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During the *Design* and *Build* phases of implementation, typical activities include:

<ul style="list-style-type: none"> • Visioning session(s) with key stakeholders • Stakeholder consultation • Change readiness assessment (performance against plan) • Leadership coaching & action planning • Team renewal (team-building) 	<ul style="list-style-type: none"> • Identification & enrolment of change agents within the organization • Face-to-face communications with larger stakeholder community • Identification of impacts of new technology & processes on individuals • Change agent training • Employee Workshops
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During the *Deliver* and *Operate* phases, activities include:

<ul style="list-style-type: none"> • Workforce transition support including related HR policies & programs <ul style="list-style-type: none"> – training – performance evaluation – compensation – reward and recognition – career development and planning 	<ul style="list-style-type: none"> • Skills gap analysis • End-user non-technical training
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5. Why do culture change initiatives often fail?

The unfortunate truth is that many organizational change initiatives fail to achieve their objectives. This is often due to the inherent resistance of organizational culture to change.

Arguments often offered as to why change should not take place include: “It’s best to stick to our tried-and-true approaches”; “This is the wrong time to be attempting a major change”; “We’re different”; “Our people will instinctively do the right thing”; and many others.

However, there may be other reasons for the failure of an organizational change initiative. These include:

- Competing change initiatives (i.e. too many overlapping change initiatives)

- Lack of management ownership (managers may be as heavily invested in the existing culture as other staff members)
- Differences of opinion and approach among senior leaders
- Unrealistic time lines
- Failure to embed the desired changes in work processes and performance standards
- Failure to consult, engage and communicate
- Failure to measure progress
- Lack of recognition and rewards for progress toward change - and punishments for failure to live up to expectations.

It is essential to anticipate, and respond effectively to, these kinds of impediments to change.

6. What is needed to succeed?

Clearly, change leaders must commit themselves to well-reasoned, carefully planned, vigorous change management activities – including opportunities for staff members to practice new approaches in controlled settings – if behaviour, and eventually culture, are to be changed.

Essentials for success include:

- Have a good plan to work from
- Have compelling reasons for the specified change
- Demonstrate strong change leadership and unswerving commitment at the senior management level
- Insist on middle-management ownership of the process
- Implement a program of ongoing communication
- Provide access to expert resources and on-going support for change at the staff level
- Measure and continually adjust

“Getting the culture right” is challenging – but well worth the rewards of success.