

REVIEW ARTICLE

The Interdependency of Organizational Culture: The Linkage with Change and Organisational Performance

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Abstract

One of the many responsibilities confronting leaders is the creation and maintenance of organizational characteristics that reward and encourage collective efforts. The organizational culture stands out as one of the components that are important to instituting change, sustaining performance and competitive advantage and a good reason for becoming a great company. The reason for ethical failure in many organizations is the fact that while leaders concede of culture as a powerful tool that can create and sustain performance, only few leaders give it the attention it deserves. The cause of ethical failure in many organizations can be traced to organizational failure of leadership active promotion of ethical ideals and practices [1]. This paper reviews evidence that shows why managing culture is important to effectively enhancing both change and organization performance. The paper provides in-depth analysis on the effect of organizational culture on organization's productivity and performance.

Keywords: *Change, Organizational Culture, Performance and Competitive Advantage.*

Introduction

Organizational culture is a widely used term but one that seems to give rise to a degree of ambiguity in terms of assessing its effectiveness on change and performance variables in an organization. For the past number of decades, most academics and practitioners studying organizations suggest the concept of culture is the climate and practices that organizations develop around their handling of people [2].

Cascio F [3], defines organizational culture to include an organization's expectations, experiences, philosophy, and values that hold it together, and is expressed in its self-image, inner workings, interactions with the outside world, and future expectations. It is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid. Also called corporate culture as it's shown in;

- The ways the organization conducts its business, treats its employees, customers, and the wider community,

- The extent to which freedom is allowed in decision making, developing new ideas, and personal expression,
- How power and information flow through its hierarchy, and
- How committed employees are towards collective objectives.

An important trend in managerial thinking in recent decades has been one of encouraging managers to try to create strong organizational cultures. Schein [2] suggests that culture and leadership are conceptually intertwined. This is supported by O'Donovan [4] in his analysis of the Australian public service, where he concludes that 'statements of values, codes of conduct, principles of public service management and so on set out in rules and regulation are simply rhetoric or what we now call inspirational statements. Without leadership that is what they will ever be rhetoric. It is our job as administrators, managers and leaders to turn them into reality' [4].

The concept of organizational culture has been studied from many perspectives and

disciplines, such as anthropology, sociology, organizational behavior, and organizational leadership. For instance, Ravasi and Schultz [5] state that organizational culture is a set of shared mental assumptions that guide interpretation and action in organizations by defining appropriate behavior for various situations. At the same time although a company may have their "own unique culture", in larger organizations, there is a diverse and sometimes conflicting cultures that co-exist due to different characteristics of the management team. The organizational culture may also have negative and positive aspects.

Main Review

The Key Role of Organizational Culture

There are concerns over the way in which many organizations have chosen to do business over the recent past. The organization culture as a leadership concept has been identified as one of the many components that leaders can use to grow a dynamic organization. Leadership in organizations starts the culture formation process by imposing their assumptions and expectations on their followers.

Schein, [2] states that as organizations stabilize because of success in accomplishing its primary tasks, the leader's assumptions become shared and embedding those assumptions can then be thought of more as a process of socializing new members. Organizational leaders achieve success by being consistent, in sending clear signals about their priorities, values and beliefs. Once culture is established and accepted, they become a strong leadership tool to communicate the leader's beliefs and values to organizational members, and especially new comers. When leaders promote ethical culture, they become successful in maintaining organizational growth, the good service s demanded by the society, the ability to address problems before they become disasters and consequently are competitive against rivals.

Schein, [6] informs that corporate culture matters, because the decisions made without the awareness of the operative culture forces may have unanticipated and undesirable

consequences. Organizational leaders are confronted with many complex issues, when making decisions about the best methods to generate organizational achievements in their complex environments. The leader's success will depend to a large extent, on his knowledge and understanding of the organizational culture. The leader who understands his organizational culture and takes it seriously is capable of predicting the outcome of his decisions in preventing any anticipated consequences. What then is organizational culture? The concept of organizational culture has been defined from many perspectives in the literature. There is no one single definition for organizational culture. Corporate cultures provide identifying characteristics and values for organizational members to appreciate and learn.

Cultures are distinguished by artifacts, values, and basic assumptions. The socialization process is the entry stage in an organization that provides clues about its culture. Cultures are difficult to change, yet change is necessary in some instances for survival. Organizations need an adaptive culture in order to respond effectively to the changing environment [7].

Lok [8] argues that organizational cultures exist in all organizations, and have important effects on the morale and motivation of organizational members. Cultures are communicated through artifacts, values, and basic assumptions that are both visible and invisible. Stories are considered by some as the most effective approach to reinforcing an organization's values, and frequently involve the CEO. Values that organizations hold can be either enacted or espoused. When espoused values are not confirmed by actions, the organizational culture is weakened. Leaders have a responsibility to monitor and alter the organizational culture when necessary. Much of our concept of organizational cultures has been adapted from cultural anthropology. There appears to be distinct cultures in organizations.

Hodgetts and Luthans [9] argue that organizations undergoing change must

understand that cultural change is only one of several inter-related components which drive organizational performance. A multi-system perspective of organizations highlights the interdependencies between an organization's structure and culture and how these affect organizational processes and behaviors. Successful innovations require that either the innovations be designed to fit the organization's current structure and culture or that the organizational structure and culture be reshaped to fit the demands of the new systems. Thus, the desired effects of new systems are most often realized in organizations able to implement the additional changes that are required to maintain overall fit.

Determinants of Organizational Culture

Characteristics of Members

Personal characteristics of the members of an organization also affect the climate prevailing in the organization. For example an organization with well educated, ambitious and younger employees is likely to have a different OC than an organization with less educated, and less upwardly mobile, older employees. The former might inculcate an environment of competitiveness, calculated risk-taking, frankness of opinions, etc.

Organizational Size

In a small sized organization it is much easier to foster a climate for creativity and innovation or to establish a participative kind of management with greater stress on horizontal distribution of responsibilities. On the other hand, in a large organization it is easier to have a more authoritative kind of management with stress on vertical distribution of responsibilities.

Organizational Policies

Specific organizational policies can influence a specific dimension of OC to quite an extent. For example, if the company policy states that layoffs will be used only as a last resort to cope with business downturn, then it would, in general, foster an internal environment that is supportive and humanistic. Similarly if you are working in a

company where it is agreed that the first beneficiaries of increased profit, then the OC will be characterized by High Reward Orientation and probably by High Progressiveness and Development.

Managerial Values

The values held by executives have a strong influence on OC because values lead to actions and shape decisions. Values add to perceptions of the organization as impersonal, paternalistic, formal, informal, hostile or friendly.

Organization Structure

The design or structure of an organization affects the perception of its internal environment. For example, a bureaucratic structure has an OC much different from a participative structure.

The Leader's Role in Shaping and Reinforcing Culture

According to Papa, et al. [10] the following are some of the leaders role in enforcing culture:

What Leaders Pay Attention To

Organizational members can get information about the priorities, values, and beliefs of leaders by observing the things on which leaders spend their time, as long as leaders are consistent in what they pay attention to.

How Leaders React to Crises

Many believe that organizations show their real culture during times of crisis, and consequently pay close attention to the leaders during a crisis situation.

How Leaders Behave

Employees emulate the leader's behavior and look to leaders for clues to appropriate behavior. Leaders demonstrate the organization's values and culture through their behavior.

How Leaders Allocate Rewards

Rewarding behavior that is consistent with the organization's values increases acceptance of those values and the

organization's culture. If leaders do not allocate rewards in a way that reinforces espoused values, employees may become confused and frustrated.

How Leaders Hire and Fire Individuals

Leaders often reinforce a desired organizational culture through the selection of new employees whose value systems are similar to the organization's value system. Promoting from within the organization also serves to reinforce the culture. Also, both the rationale behind firing an employee and the manner in which the termination is carried out convey a great deal about the organization's culture.

Changing Organizational Culture

Dasanayake and Mahakalanda [11] argue that organizations need to periodically reassess their cultures as environmental changes occur due to globalization, workforce diversity, and advances in technology. Mergers and acquisitions require the blending of two organizational cultures, often a difficult process. Two basic approaches to changing culture are (1) helping current organizational members buy into a new set of values, and (2) adding newcomers and socializing them into the organization, and removing current members as appropriate.

Developing a Global Organizational Culture

Developing a global organizational culture requires that the values that drive an organization's culture support a global view of the company and its efforts. Conflicting pressures of centralization and decentralization add to the difficulty of creating such a culture.

Developing an Ethical Organizational Culture

An organization's culture can profoundly affect the ethical behavior of its employees. Managers must behave in an ethical manner themselves; encourage ethical behavior from their employees, and present ethical behavior as good business. Trust plays an important role in any effort to develop an ethical organizational culture.

Developing a Culture of Empowerment and Quality

Empowerment requires trust between managers and supervisors and between supervisors and employees. In an environment of trust, empowerment releases the creative energy of employees and leads to increased productivity and higher quality products and services. However, in order to develop a culture of empowerment, managers must be willing to let go of traditional hierarchical notions of power.

Kaplan and Norton [12] explains that prior to a cultural change initiative, a needs assessment is needed to identify and understand the current organizational culture. This can be done through employee surveys, interviews, focus groups, observation, customer surveys where appropriate, and other internal research, to further identify areas that require change. The company must then assess and clearly identify the new, desired culture, and then design a change process.

Cummings & Worley [13] give the following six Guidelines for Cultural Change

Formulate a Clear Strategic Vision

In order to make a cultural change effective a clear vision of the firm's new strategy, shared values and behaviors is needed. This vision provides the intention and direction for the culture change.

Display Top-management Commitment

It is very important to keep in mind that culture change must be managed from the top of the organization, as willingness to change of the senior management is an important indicator. The top of the organization should be very much in favor of the change in order to actually implement the change in the rest of the organization.

Model Culture Change at the Highest Level

In order to show that the management team is in favor of the change, the change has to be notable at first at this level. The behavior of the management needs to symbolize the kinds of values and behaviors that should be

realized in the rest of the company. It is important that the management shows the strengths of the current culture as well; it must be made clear that the current organization does not need radical changes, but just a few adjustments. This process may also include creating committee, employee task forces, value managers, or similar. Change agents are key in the process and key communicators of the new values. They should possess courage, flexibility, excellent interpersonal skills, knowledge of the company, and patience.

Modify the Organization to Support Organizational Change

The fourth step is to modify the organization to support organizational change. This includes identifying what current systems, policies, procedures and rules need to be changed in order to align with the new values and desired culture. This may include a change to accountability systems, compensation, benefits and reward structures, and recruitment and retention programs to better align with the new values and to send a clear message to employees that the old system and culture are in the past.

Select and Socialize Newcomers and Terminate Deviants

A way to implement a culture is to connect it to organizational membership, people can be selected and terminate in terms of their fit with the new culture. Encouraging employee motivation and loyalty to the company is key and will also result in a healthy culture. The company and change managers should be able to articulate the connections between the desired behavior and how it will impact and improve the company's success, to further encourage buy-in in the change process. Training should be provided to all employees to understand the new processes, expectations and systems.

Develop Ethical and Legal Sensitivity

Changes in culture can lead to tensions between organizational and individual interests, which can result in ethical and legal problems for practitioners. This is particularly relevant for changes in employee integrity, control, equitable treatment and job security. It is also

beneficial, as part of the change process, to include an evaluation process, conducted periodically to monitor the change progress and identify areas that need further development. This step will also identify obstacles of change and resistant employees and to acknowledge and reward employee improvement, which will also encourage continued change and evolution. It may also be helpful and necessary to incorporate new change managers to refresh the process. Outside consultants may also be useful in facilitating the change process and providing employee training.

Organizational Culture and Sustained Competitive Advantage

As mentioned previously, the interest in organizational culture can be explained by the assumption that certain organizational cultures lead to an increase in corporate financial performance. This assumption is founded on the perceived role of culture in generating competitive advantage [14].

According to Ravasi and Schultz [5] organizational culture may create competitive advantage if the boundaries of the organization are designed in a manner which facilitates individual interactions and if the scope of information processes is limited to appropriate levels. Theorists also argue that the values that are widely shared and strongly held enable managers to predict employee reactions to certain strategic options and in this way minimizing the scope for undesired consequences [15].

In 2009, Zhang specified three conditions that have to be met in order for a company's culture to achieve sustained competitive advantage. First, the culture has to be valuable, which means that it must allow the company to behave in a manner that will lead to higher profits, lower costs and other results that improve the financial performance of the firm. Second, the culture has to be rare, which means that it must have distinctive characteristics that differentiate the firm from the cultures of a large number of other firms from the same industry. Third, a culture must be imperfectly imitable, which means that even if potential imitators can understand valuable and rare organizational cultures, it

still may not be possible to imitate those cultures [16].

The Impact of Organizational Culture on Corporate Performance

The literature on organizational culture is rich and diverse. Much of its richness is founded on the claim that culture is linked to organizational performance. Even though there are some theorists that questioned the culture-performance link, sufficient evidence exists to suggest that organizational culture is associated with organizational performance [13].

The key to good performance is a strong culture. He further maintains that due to difference in organizational culture, same strategies do not yield same results for two organizations in the same industry and in the same location. A positive and strong culture can make an average individual perform and achieve brilliantly whereas a negative and weak culture may demotivate an outstanding employee to underperform and end up with no achievement.

Therefore organizational culture has an active and direct role in performance management. Mujtaba [17] believe that research on culture will contribute to the understanding of performance management. Kerr & Slocum [7] contends that without considering the impact of organizational culture, organizational practices such as performance management could be counterproductive because the two are interdependent and change in one will impact the other. Specifically organizational culture impacts on organizational performance in the following dimension:

Unity

A shared organizational culture helps to unite employees of different demographics. Many employees within an organization come from different backgrounds, families and traditions and have their own cultures. Having a shared culture at the workplace gives them a sense of unity and understanding towards one another, promoting better communication and less conflict. In addition, a shared organizational culture promotes equality by ensuring no

employee is neglected at the workplace and that each is treated equally.

Loyalty

Organizational culture helps to keep employees motivated and loyal to the management of the organization. If employees view themselves as part of their organization's culture, they are more eager to want to contribute to the entity's success. They feel a higher sense of accomplishment for being a part of an organization they care about and work harder without having to be coerced.

Competition

Healthy competition among employees is one of the results of a shared organizational culture. Employees will strive to perform at their best to earn recognition and appreciation from their superiors. This in turn increases the quality of their work, which helps the organization prosper and flourish.

Direction

Guidelines contribute to organizational culture. They provide employees with a sense of direction and expectations that keep employees on task. Each employee understands what his roles and responsibilities are and how to accomplish tasks prior to established deadlines.

Identity

An organization's culture defines its identity. An entity's way of doing business is perceived by both the individuals who comprise the organization as well as its clients and customers, and it is determined by its culture. The values and beliefs of an organization contribute to the brand image by which it becomes known and respected.

Motivation

The term «motivation» refers to the whole group of impulses, requirements, needs, wishes and similar forces which should result in satisfaction. Human motives are based on needs. The secondary motives are manifested in the organisation. These are, in the first place, the need for a status, then for connection with the others, one's own initiative, achievements, self-assertion and

alike. IT are an effective device to motivate the employees.

Productivity

Productivity is input-output ratio in a certain time period conforming to the quality standards. Productivity implies measurement, which is an indispensable part of any control. Its improvement can be achieved by formulating the improvement objectives, measurement of results, effective system of communication and recognition of good work. IT successfully keep track of productivity, solve the issues in the production with no difficulties and support productivity measurements relating to clerical workers.

Creativity

Creativity is the ability and qualities to form new ideas. A creative process is rarely simple and linear. It is composed of four phases which are in mutual interaction: 1.) automatic search, 2) intuition, 3.) penetrating and 4.) Logic formulation.

Innovativeness

Innovation usually means and refers to the use of creative ideas. Organisations usually introduce rules or guidelines as a stimulus to innovation, e.g.: development of tolerance for mistakes, awarding employees with good ideas of new products who are in position to form an efficient and active team responsible for the product promotion, establishment of a close connection with customers, sharing technology with others within the organisation, making the project viable by means of time allocation or financial support.

Summary and Conclusion

It could be argued that a 'good' culture exerts a positive influence on organizational

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behavior. It could help to create a 'high-performance' culture, one that will produce a high level of business performance. As described by Ricardo and Wade [18], 'a good culture is consistent in its components and shared amongst organizational members, and it makes the organization unique, thus differentiating it from other organizations'.

However, a high-performance culture means little more than any culture that will produce a high level of business performance. The attributes of cultures vary tremendously by context. The qualities of a high-performance culture for an established retail chain, a growing service business and a consumer products company that is losing market share may be very different. Further, in addition to context differences, all cultures evolve over time. Cultures that are 'good' in one set of circumstances or period of time may be dysfunctional in different circumstances or different times.

Since culture is developed and manifests itself in different ways in different organizations, it is not possible to say that one culture is better than another, only that it is dissimilar in certain ways. There is no such thing as an ideal culture, only an appropriate culture. This means that there can be no universal prescription for managing culture. While it may not be possible to define an ideal structure or to prescribe how it can be developed, it can at least be stated with confidence that embedded cultures exert considerable influence on organizational behaviour and therefore performance. If there is an appropriate and effective culture it would be desirable to take steps to support or reinforce it. If the culture is inappropriate, attempts should be made to determine what needs to be changed and to develop and implement plans for change [19-27].

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