EFFECTIVE MEASURE OF ORGANIZATIONAL CULTURE

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Abstract

This theoretical paper presents a theory of organizational culture and a framework approach to measuring it through two aspects that connect the "hard" business results with "soft" culture and people experiences: through the strength of organizational culture on one hand, and on the other hand, through the impact culture has on the business of the organization. Ensuing practical approach includes ways of effective study of organizational culture, meaningful diagnosis that is based on the function and impact of culture that delivers business insight for leaders to exercise effective management of what can be done about culture, given the diagnostic results. It further articulates ways to ensure alignment of culture with the business strategy in order to help deliver sustainable and holistic results.

Keywords: Organizational culture, culture measure, strategy, alignment, framework.

1. Introduction

The subject of organizational culture has been receiving an increasing number of publications, studies, by both scholars and practitioners. Every big enough management and organizational consulting company seems to offer an assessment of organizational culture and its change. This interest may be due to the increasing evidence of how organizational culture can be the single most important factor of the company's business success and growth, or stagnation and failure.

As with most things in business, simple and quantifiable measurement of progress is typically preferred to assess, track, understand, and evaluate whether change efforts in fact bring desired results. This leads to many kinds of simplifications of the subject or organizational culture, how it evolves, what can be done with it and about it, and what cannot (Schein, 2015). Unfortunately, the nuances and complexity of culture cannot be omitted when working with organizational culture without losing its impact. Therefore, a reliable and meaningful organizational culture assessment is required to do diagnosis, to plan for appropriate interventions and to measure progress towards the desired culture that supports organizational success.

This paper presents an original approach to measuring organizational culture: measuring the impact culture has on the business, in a way that provides actionable insights for business leaders, who can apply their learnings to make meaningful and thoughtful transformation in their organizations, that are not within the typical change management toolbox, which arguably is more effective than most culture assessments known to us.

This approach is developed based on our theoretical and empirical research, as well as practitioner consultant work.

2. State of the art

There is a significant number of ways the organizational culture is defined and approached; there is no one universal or typical way of understanding and describing what it is: when scholars or practitioners of organizational culture use the word "culture", most commonly they are likely to imply things that differ from what their clients in business may imply. That difference extends beyond the concept itself, to the simplicity vs. complexity of their approach to culture assessment and change, the depth of analysis and how actionable the insights would be.

2.1. Organizational culture

Perspectives on what is organizational culture include: employee morale; employee value proposition; organizational health; shared purpose; reputation; how work gets done; written and unwritten rules of how to work together; core values; behaviors and mindsets; mental models and assumptions… Most of these definitions as well as others are not inherently wrong, but they less informed, less complete than needed to help create meaningful impact on the business. Focusing on one or two elements of culture, or just an aspect of the larger concept that culture is, may be enough to convince a busy business client, but not enough to create approaches to sustainable work with organizational culture. Furthermore, this abundance of definitions may be adding the perception of abstraction and vagueness to something that already is a seemingly intangible concept for many business leaders.

One of the most helpful, coherent, substantial, thorough theories or organizational culture and methods to working with it, was developed by E. Schein. He articulated (Schein, 2004) three levels of organizational culture as well as that organizational culture as a process of the group solving problems and answering questions of external adaptation and those of internal integration. He also postulated that culture keeps the organization's memory about what leads to success (Schein, 2004).

2.2. Organizational culture measure

Most practitioner efforts (with only a few examples know to us) intending to help companies improve their business results, typically focus on measuring such elements of internal organizational life as: employee engagement, job satisfaction, climate of the work environment, or leadership effectiveness. Each of these approaches is too reductionist and superficial for adequately assess and offer grounds to affect organizational culture.

Another problem with most of these approaches is their reliance exclusively or primarily on self-reporting employee survey data. Surveys are known to be susceptible to a possible variation of interpretations even when taken in the same organization (e.g. when asked to which degree respondents agree with a certain statement that can have multiple interpretations from the respondent's perspective). Employees may be looking to portray the organization in the best way possible to help their leader look good. Employees tend to get used to ("trained on") a survey that is repeated over time, as to what is the "right way" to answer the questions. Lastly, results may be difficult to make meaning of without adding anecdotal, qualitative color.

Another school of thought in measuring culture takes the approach of archetyping, which appears to be helpful at the first glance, when it helps business leaders understand and grasp the results. However, when the organization begins to work on culture and potentially takes the assessment again, archetype may become a label with a negative effect on understanding of the true intent of the insights and efforts.

This group of approaches to assessing organizational culture also seems to prescribe what works best for all organizations or specific industry, making an assumption about a certain "ideal" without discerning between different identities, purposed, missions, and strategies that differ significantly among the companies, and may condition their cultures.

3. New perspectives / contributions

After a wide variety of approaches briefly described above have been deployed with different degrees of immediate and long-term, sustainable success, there should probably come a time where there is a need for a more unifying theory of organizational culture, that would include a measure that provides an effective and meaningful insight.

3.1. Original theory of organizational culture

As described in the article "Workplace Relationships as a Symptom on Organizational Culture and a Lever for Culture Transformation" (Tararukhina, 2019) made a clarification to earlier model of organizational culture (Schein, 2004). The proposed model of organizational culture has 5 layers, that like layers of an onion, reveal culture from its most visible elements (language, space, symbols) to the most latent ones (basic assumptions). In this model, the layers represent:

- Images / language / space: observable, tangible materials and objects;
- Behaviors: observable actions people take in interactions and in doing their work;
- Norms: shared understanding of the distinction between what's right and wrong, what's acceptable and what's not; Rules: understanding of dos and don'ts as well as knowing or the ability to forecast their consequences;
- Values: what is held important when members of the organization take action;
- Basic assumptions: beliefs that we assume to be true and do not question or typically even discuss.

Following Schein's definition, culture in this model is also defined as "the shared way things are done around here" that develops through socialization, trial and error on the way to success. Its key functions are to make things predictable, familiar; to explain what things mean; to determine what to pay attention to and what to react to, and how to act/react; to keep the organization's memory about what leads to success, stability and meaning (Schein, 2004).

It is also important to underscore what does not appear in the description above. Since culture evolves through socialization, through learning from other people about culture of a specific organization (e.g. incumbents enculturate newcomers), and as a result of this learning process, culture not only lives in group meetings, it *gets transmitted and transformed through the vehicle of interpersonal workplace relationships*: they are an important carrier of organizational culture.

3.2. Original culture measure framework

If culture is "how we do things around here", business strategy is "how we will move forward to achieve our goals" (Rumelt, 2011). Because of the impact culture can have on the execution of strategy (Schein, 2004, 2015; Cooke, 2015; Katzenbach, 2012; Work Effects; Quinn, 1996), for an organization to be successful with its strategy, it not only needs to be the right strategy for this market at this time, but its culture also needs to be in its service. To be effective, organizational culture needs to be: consistent with the organization's purpose and identity, help execute business strategy, and explains how to belong here. Culture that leads organization to be successful needs to meet several criteria at the same time, it would be a mistake to think that when the business strategy shifts, organizational culture needs no attention, it would just catch up, and perform just as well.

Given that: a) culture of a specific organization is not good and not bad, b) given the criteria of an effective culture outlined above, and c) given the importance of its relationship with strategy; given that, the most meaningful way to assess what may need shifting in the culture, is through exactly those impacts: 1) whether culture is supporting the strategy, or is in the way; 2) how consistent (tight) is the culture. Consistency here means consistency of behaviors, norms, and values - how loosely or tightly they are observed and repeated, how consistent is its meaning throughout the organization. Therefore, the proposed original culture measure framework represents four scenarios. Each scenario depends on high/low consistency of the culture, and the kind of its relationship to strategy (whether it hinders or helps:

Figure 1. Approach to measuring organizational culture.

Consistency is created through social processes, such as connectedness between members, consistency with company's identity and purpose, history that employees have together, clarity of the original values (and whether they are still important). In highly consistent cultures people would have similar interpretations of the same behavior, have a shared understanding and interpretation of the rules and norms, and would hold the same meaning for those cultural norms, holding the same things as important (e.g., being on time, or quality over quantity).

There is an ideal scenario in this framework presented in Fig.1. The difference between an ideal scenario in the proposed original framework and the archetype-based culture models is that this ideal scenario would only be ideal for this specific company, no other, because it takes into consideration only this company and its strategy, without benchmarking to other organizations and industries. Each company's uniqueness is therefore respected. *Ideal scenario* takes place when a strong culture supports strategy execution; *promising scenario* is observed when culture supports strategy execution, but not very effectively because culture is relatively loose; *fixable scenario* is a result of a weak culture hindering strategy execution (which may not harm the strategy too much); and *worst case scenario* that takes place when a strongly consistent culture actively impedes or blocks strategy execution.

What's tangible, meaningful, and actionable in this approach to culture measurement, is that as opposed to the typical abstract, isolated phenomenon, culture appears as the driver of business results, which it is. This way, it becomes clear how and why somebody asking a question in a meeting or how effective are the meetings (not the amount of ping pong tables or free breakfasts) is helping the company advance in the market place.

Probably not surprisingly, suggested methods to identify consistency of culture and its relationship to strategy for this framework are largely qualitative: interviews, observations. Organizational network analysis can answer questions about variations in behavior, norms, and values, the way they show up in interpersonal situations (Cross, Parker, 2004; Connected Commons). Stories solidify and reinforce those meanings and rules made in the culture, they keep the organizational narrative going, sustain the culture; would be analyzed using content analysis. Finally, other frameworks can be used to help the organization identify, where they are culturally on a certain continuum for each of the elements that matter to the organization. Those frameworks can be either prescribed after having been tested in various industries and kinds of companies (Work Effects: 10 defined dimensions), or can be determined by a group of employees of different levels, representing the organization in its diversity (can be any number of dimensions, as long as they are meaningful for the organization).

3.3. Culture transformation approach based on the results of original culture measure framework

Assuming the company would want to move to the *ideal scenario* from any other place the company finds its culture to be in the framework, the journey will start with that aspect of the scenario that would be easier to make shifts in: either the relationship to strategy, or the culture consistency. The suggested way out of the *worst case scenario* would not be directly to the ideal scenario, because when the culture consistency is strongly against the strategy, that is the scenario in which culture truly would "eat strategy for breakfast".

To move from the *promising scenario* to the *ideal scenario*, company needs to focus on increasing consistency of culture by increasing amount of interactions between employees, both formally and informally. Especially leaders, who would need to connect the dots for the employees more often, ask questions that draw attention to norms and rules, highlight values, reinforce behaviors.

To move from the *fixable scenario* to the *ideal scenario*, the organization would need to first move to the *promising scenario* by focusing on reinforcing what is supporting the strategy.

To move from the *worst case scenario*: To move to the *ideal scenario*, first move to the *fixable scenario*, for the culture needs to be "loosened up" in a way that the unquestionable norms and rules could be questioned, to make them ready to be shifted (in the direction of supporting the strategy), in as much as it may appear uncomfortable. Options may include bringing in new people; start doing things in a new and different way; question why we have been doing things the way we have. Then, after the culture would have shifted to support the strategy, next steps are to work on solidifying cultural elements into more consistency and strongly held norms, rules, and values. But only after the right norms, rules, and values were identified and clarified.

Lastly, it is important to remember that even in the *ideal scenario* culture needs ongoing attention and effort. Leaders can't assume that their work is done here, they need to keep cultivating the culture, for it in turn to sustain and moderate the organization.

3.4. Alignment of organizational culture to business strategy

As it was demonstrated above, it is extremely important for culture to be aligned to the business strategy, for the organization to be able deliver sustainable and holistic results. In order to successfully align culture to strategy, it is important to keep in mind that culture needs to follow and support the business strategy, not the other way around. It is helpful to lean on workplace relationships between individuals, whether with peers or with leaders (Tararukhina, 2016), which are the biggest leverage to help redirect/align culture to business strategy; especially relationships employees have with their leaders. From that perspective, leadership behaviors influencing culture are key: modeling, connecting the dots, reinforcing, asking questions that support shifting values, norms, and behaviors towards the desired culture, help employees see how what they do impacts strategy execution and organizational goals. It is also helpful to maintain the organizational inquiry and conversation about why the organization goes about working the way it does: is it in service of the strategy, or is it hindering the strategy.

The alignment, however, is not an event. Just like culture transformation cannot be an event of change (Katzenbach, 2012; Worley, Williams, Lawler, 2014), alignment needs to be an evolutionary process. For both alignment considerations above to work at their best, for culture transformation to happen in the most effective and efficient way, as well as for the diagnostic methods suggested above, it is advisable to strive for psychological safety (Edmondson, 2019).

4. Practical implications

Described original approach and framework provide meaningful and actionable insights that help organizational leaders make better decisions about their companies' internal processes, allows them to have a clearer perspective into why certain things are more challenging to introduce in the organization than others, and a more tangible and most likely less expensive controls over the next steps that would drive business and financial results. Therefore, this framework produces action steps that are more tangible for business leaders to take, and are more connected to their daily work and business results that they are ultimately accountable for, without losing integrity of the complexity of culture.

5. Originality and value

This approach and theory, contrary to most known to us, raises questions about the diversity of points of view on organizational culture and possible time to converge into a more consistent approach, attempts to bring the definition of culture into one; specifies and completes the theory of what organizational culture consists of; provides a framework of culture measure that is objective, that produces actionable insights, in a way that respects each company's uniqueness, agnostic of industries, and provides a roadmap of progressively shifting the culture in an evolutionary way.

6. Questions for future research

Going forward, what appears interesting for theoretical and empirical research would be, for example, how culture diagnostics through this approach can help identify and prove that some business strategies are poor, and should be abandoned as inconsistent with the company's identity, because pursuing them would have rather negative consequences, at least lost time and resources.

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