

Understanding and Changing Your Organizational Culture

*Practical Tools for Understanding,
Diagnosing, and Changing the Real Power
at the Heart of Your Organization*



With Jeffrey Russell

The Grand Plan!

- CEO established ambitious quality, productivity, and profitability goals. A strategic plan was developed that laid out an aggressive five year plan to grow the company.
- Individual department goals were defined that linked back to these company-wide strategic goals
- The CEO began an effort to reduce turnover (20%)
- A new HR manager was brought into ensure that hiring reflected the new strategic priorities
- A new performance management system was put in place to hold managers and supervisors accountable for their performance goals
- An employee advisory committee was created to provide a forum for staff involvement in decision making

The Reality . . . (1 year later)

- The CEO struggled to get his managers to embrace department goals that did anything more than perpetuate the status quo
- Quality and productivity continued as problems
- The HR manager resigned after only two months
- Turnover continued to remain high at 18%
- No one – including the CEO – conducted performance reviews
- After a year the employee advisory committee was disbanded due to the lack of a clear goal and waning attendance

Behind the Failure . . .

- It wasn't the motives or intent of the CEO .
- It wasn't the lack of desire of employees to do the right thing.
- It wasn't caused by the HR Director — who invested Herculean efforts to bring structure and order to what was previously a chaotic, random HR process.
- It wasn't due to the managers — who were working harder than ever.
- Failure, in part, resulted from ZERO attention paid to the organization's *maladaptive* culture — the force that drove ALL of the above . . .

Our Learning Objectives . . .

1. Define culture and its **role** in structuring and influencing every level of your organization.
2. Identify when a culture is *functional* and when it is *dysfunctional*.
3. Describe the core elements of culture — *artifacts, espoused values, and underlying assumptions*.
4. Diagnose the *health* of your culture.
5. Begin constructing a **plan** for influencing your culture

Questions About Company Culture?

- “Organizational culture.” What does it mean to you?
- What exactly is the culture of a company?
- Why is it important that we understand our organization’s culture?
- Is it possible to change a culture?

Organizational Culture

- The set of **values, beliefs, assumptions, principles, myths, legends, and norms** that define how people actually think, decide, and perform in the organization.
- The **unseen hand** that influences how we individually and collectively see ourselves, our organization, our leaders, and the world around us.
- Culture is the **fundamental driving force** behind an organization's long-term success or failure.

Culture defined

Edgar Schein defines culture as . . .

A basic set of assumptions that defines for us what we pay attention to, what things mean, how to react emotionally to what is going on, and what actions to take in various kinds of situations.

Why Culture Matters . . .

- Why should we pay attention to culture? Why should we try understand and influence it?
- What are the consequences if we fail to understand it?



The Aim of Culture

Enable the company to respond effectively to the external forces.

Internal Integration Issues

To help people know where they fit in. To deal with anxiety and uncertainty. To provide direction.

External Survival Issues

Deeper Assumptions

To provide people a grounding in core beliefs concerning identity, power, autonomy, belief in others' good will, the source of "truth," and so forth.

The Organizational Culture

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graph TD; OC([The Organizational Culture]) --> ESI[External Survival Issues]; OC --> IAI[Internal Integration Issues]; OC --> DA[Deeper Assumptions];
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A Healthy Culture . . .

A culture is *healthy/effective* to the extent that it enables an organization to achieve its objectives/goals – solving problems of **survival** (enabling the organization to be competitive and a “player” in the market) and **integration** (helping people see where and how they fit into the organization, where power lies, the role of teams, etc.).

An Unhealthy Culture . . .

A culture is *unhealthy or maladaptive* to the extent that the shared beliefs/assumptions and artifacts disables or prevents the organization from achieving its goals – when it fails to solve problems of survival and integration.



An Unhealthy Culture

- When the external or internal environment demands a change . . . But the prevailing **beliefs, assumptions, and norms held by organizational members silently work to stifle** innovation, adaptation, and the emergence of more effective organizational responses.
- Unhealthy cultures ***marginalize*** those who challenge the status quo (those who point out the maladaptive aspects of the culture and who try to introduce change)

Examples

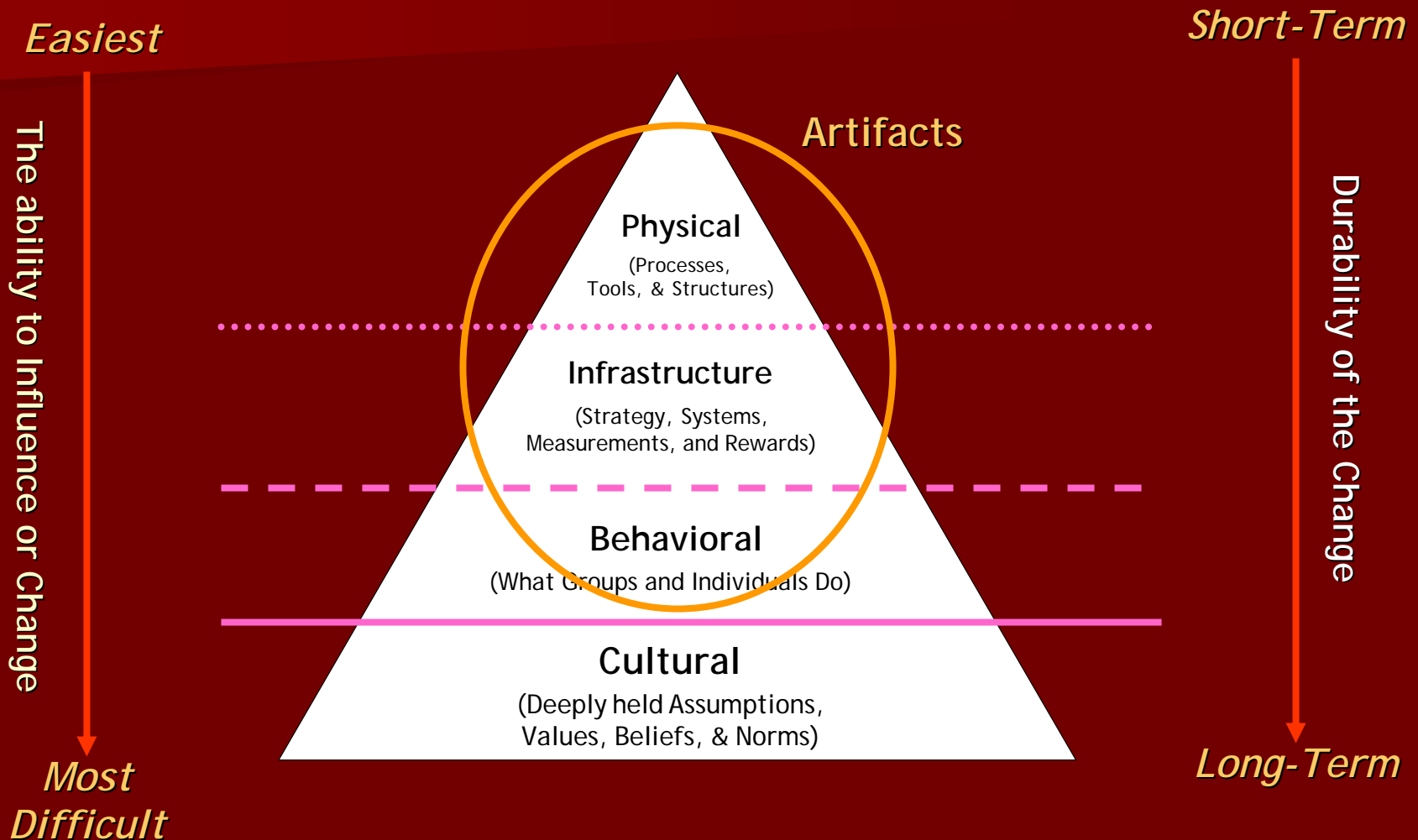
Healthy Culture . . .

- The external market is rapidly changing due to technology. The company deftly responds by integrating innovation and “fringe” viewpoints into its core business practices.
- When mistakes and errors happen, those who constructively call out these problems are celebrated. Those who cover up problems experience negative consequences.

Unhealthy Culture . . .

- New employees gradually get the message that power, influence, and decision making is really held by only a few people. Innovative thinkers soon move on . . .
- Company meetings are tests of endurance — the focus of most is on wearing down the opposition. Real issues (the undiscussables) aren't discussed. It's all about positioning and power. Most decisions are made before the meeting takes place.

The Four Organizational Levels



Elements of Culture

- Artifacts – the visible manifestations of the culture (e.g. behaviors, goals, dress, rules, policies, practices, management systems, etc.).
- Espoused Values – what the organization *says* is important, what it values (e.g., core beliefs, principles, and values).
- Tacit Assumptions – the often unspoken shared assumptions that define how things *really* work in the organization (e.g., the CEO is clueless, the VP of operations is really in charge, and “whatever you do, cover up your errors”).

A Proposed Process . . .

1. Define the business case . . .
2. Identify the cultural artifacts that touch on all aspects of organizational life.
3. Identify the espoused values – What do we say we believe?
4. Compare the espoused values with their related artifacts (match them up). (These are areas of cultural strength and congruence.)

A Proposed Process . . .

5. Identify maladaptions, inconsistencies, and disconnects between the artifacts and the espoused values.
6. Surface the underlying assumptions when there are maladaptions and disconnects. What *explains* the disconnects? [These assumptions are the true drivers of behavior in the organization.]
7. Highlight the cultural strengths (this is your starting point).
8. Highlight potential cultural vulnerabilities — areas that erode organizational effectiveness or create employee anxiety.
9. Develop your cultural response strategy that builds on your cultural strengths while directly confronting the maladaptive tacit assumptions and artifacts. Identify both *formal* and *informal* mechanisms of influence.

Cultural Artifacts

- The overt/outward manifestations of the culture
- The physical and visible evidence of what drives the organization (**what you can SEE, hear, and feel**)
- They are neither good nor bad – they just simply exist
- **Types of artifacts**: daily behaviors, goals, plans, dress, hours of work, rules, policies, practices, systems, structures, the “look and feel” of a place, and mechanisms that describe what the culture is and what it has evolved to.

Identifying Your Artifacts

- Who makes the decisions in the organization?
- What's the level of formality in authority relationships?
- How do meetings work here? What is their frequency? How well are they run? Who is expected to attend? Who arrives late? Do they start on time?
- How are rewards allocated?
- How are resources allocated?
- What are the role, purpose, and value of social events and gatherings?
- What official and unofficial rites and rituals define life here?
- To what extent do we use special jargon, uniforms, and other symbols of identity?
- What are the expectations regarding business dress/apparel?
- What are the expectations for balancing work and family?
- Etc.

Manifestations of Culture

- Leadership Behaviors
- Strategy, Goals and Clarity of Direction
- Decision Making and Problem Solving
- Organizational Communication and Integration
- Performance Orientation and Accountability
- Organizational Innovation
- Rewards and Compensation
- Job Engagement & HRD
- Organizational Structure and Environment
- Overall Image of the Organization (action oriented, delivering results, high standards . . .)

Espoused Values

- The core **beliefs, principles, and values** that the organization officially declares as its creed
- Often reflect the “**founders**” priorities and principles
- Found in strategic plans, the president’s “message,” orientation programs, performance standards, what we talk about at formal meetings/events . . .

Example Espoused Values

- *We value teamwork in achieving great results for our customers*
- *Quality is our first responsibility*
- *Our people are our most important asset*
- *We value the airing of diverse perspectives when making decisions*
- *Our decision making process is thoughtful, rational, deliberative, and grounded in sound data*
- *People are held accountable for their results*
- *We encourage and reward innovators and risk takers*

Marathon County Wisconsin, USA

Sheriff's Department's Mission/Core Values

Its *espoused* values

Sheriff's Department

Mission

The Marathon County Sheriff's Department exists to provide a safe, secure, and crime-free community through trust-building, enforcement, and public safety management.

Vision

People in Marathon County enjoy a great quality of life without fear or influence of crime and its repercussions.

Core Values

Duty

Integrity

Respect

Team

Safety

Surfacing the Tacit Assumptions

- Every organization begins with a set of guiding beliefs/principles (some *espoused*, others implied/assumed).
- Over time these principles are taken for granted and disappear from awareness — “*This is just the way we do things here.*”
- Organizational success reinforces the tacit assumptions and makes them stronger.
- In *healthy* organizations, failure leads to the gradual extinguishing of the tacit assumptions that no longer work.
- In unhealthy organizations . . . *maladaptive tacit assumptions live on!*

Harmonious Tacit Assumptions

- When the organization's overt behaviors, systems, policies, rules, etc. (artifacts) are congruent with what it says it believes (espoused values), the organization's *tacit assumptions* are operating in ways that are **consistent with and reinforce** the organization's *espoused values*.

Discordant Tacit Assumptions

- When the organization's overt behaviors, systems, policies, rules, etc. (artifacts) are inconsistent or conflict with its espoused values . . . our task is to identify the underlying and often unstated tacit assumption(s) driving these undesirable behaviors.
- A tacit assumption may also be maladaptive when it promotes behaviors/actions/policies (artifacts) that lead to a decline in organizational effectiveness.
- These "disconnects" between behaviors and values and the maladaptive assumptions are bad when they erode an organization's ability to achieve its goals.

An Example of Harmony/Congruence

- **Espoused Value:** *We value the airing of diverse perspectives when making decisions*
- **Artifact (observed fact):** When our company is making an important decision the leadership routinely asks front-line employees what they would like to see happen.
- In this example, we do what we say we believe. This shows congruence of actions that reflect our espoused beliefs.

An Example of Discordance

The Inconsistency . . .

- Espoused Value: Our organizational credo says that we value diverse perspectives when making decisions.
- Cultural Artifact: In reality, only a few people are the decision makers and only a narrow range of perspective is sought and listened to.

Tacit Assumption Example

- The Underlying Tacit Assumption: What we actually value is rapid decision making by people perceived to have the highest social status and power. [Note: the tacit assumption is the *real* guiding value that competes with and replaces/supplants an *espoused* value.]
- The discordant result (artifact): opinions offered by those without this social status or power aren't listened to and those who offer them aren't valued by the organization — until they earn their social status “stripes.”

THE BIG LESSON!

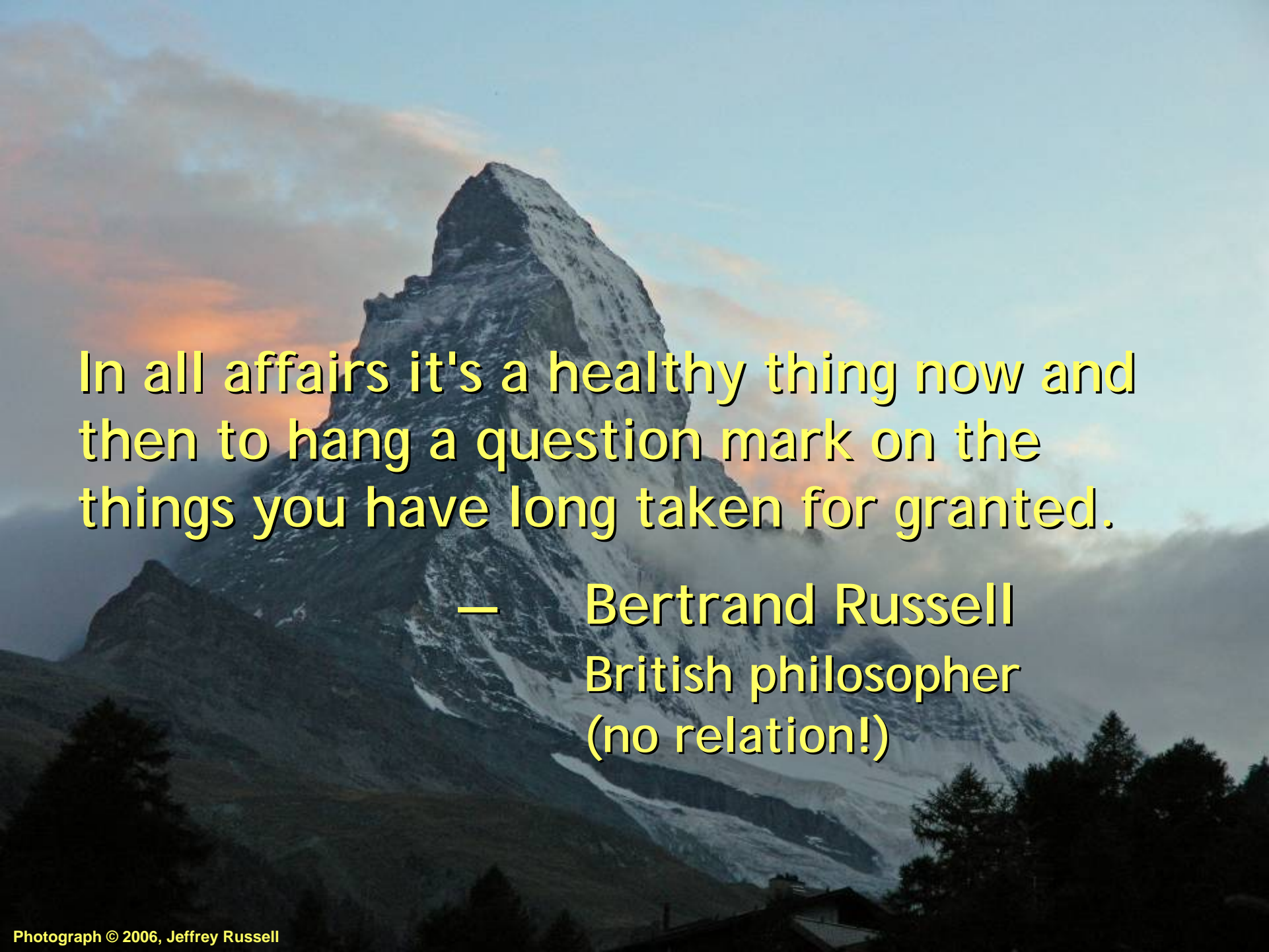
When a *tacit assumption* runs contrary to an espoused value, the tacit assumption always wins!

(until you change it!)



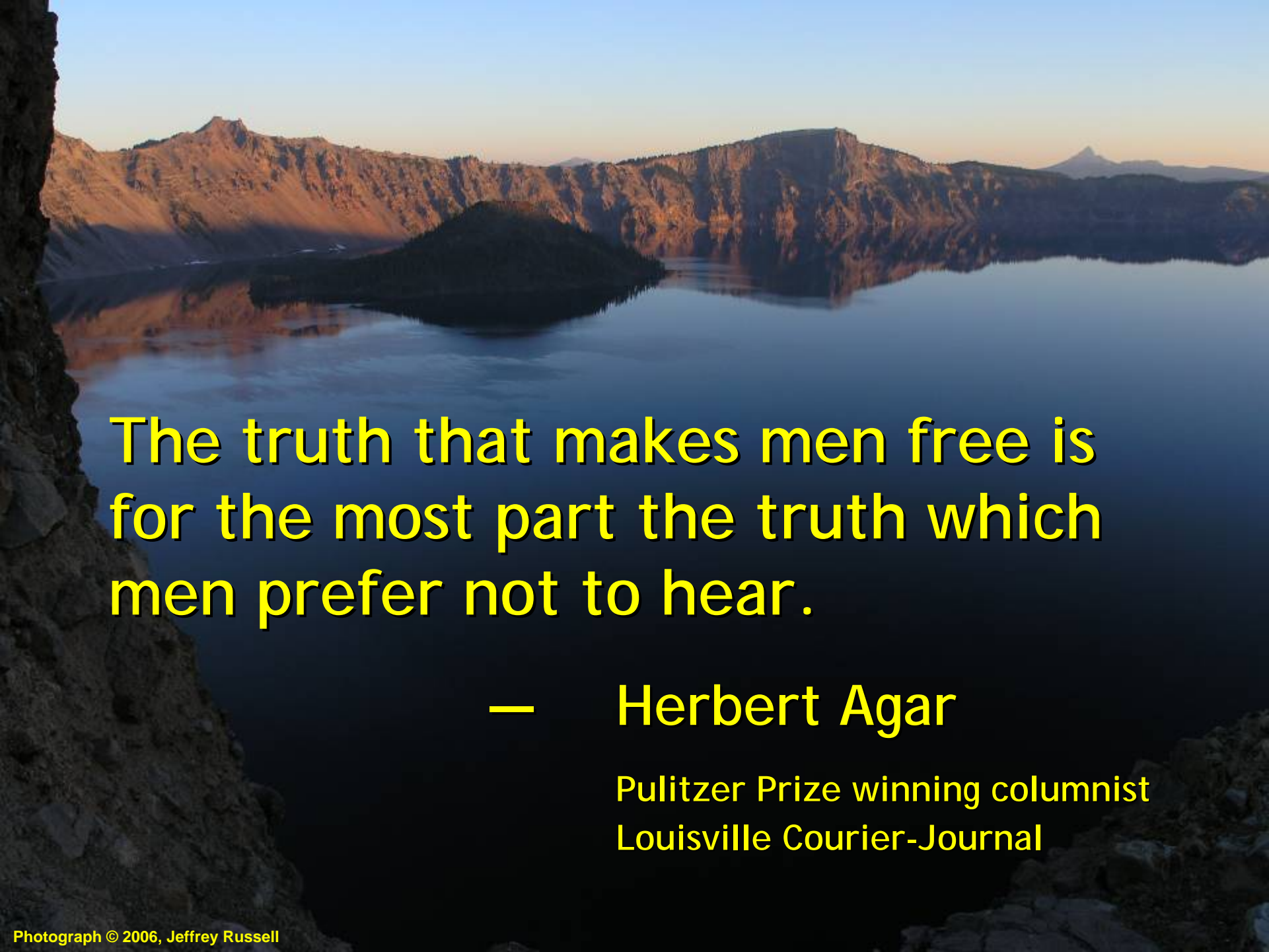
Discordant Tacit Assumptions Examples

| Espoused Value | Cultural Artifact | Maladaptive Tacit Assumption |
|--|--|--|
| <i>Problem solving is enhanced through teamwork</i> | Decisions are usually made by people of higher rank or seniority | What we value most when making decisions is status and rank |
| <i>Quality is our first responsibility</i> | The company is plagued by defects and customer returns | What we value most is getting through the day and making our numbers |
| <i>Our people are our most important asset</i> | High turnover in entry level positions | What we value most is cost containment |
| <i>People are held accountable for their results</i> | Departments continually miss their performance goals | What we value over accountability is loyalty to the boss |



In all affairs it's a healthy thing now and then to hang a question mark on the things you have long taken for granted.

— Bertrand Russell
British philosopher
(no relation!)

A scenic photograph of a lake surrounded by mountains, with a rocky ledge in the foreground. The lake is calm, reflecting the surrounding landscape. The mountains are rugged and have a reddish-brown hue, suggesting a volcanic or desert environment. The sky is clear and blue, indicating a bright day. The foreground shows a dark, rocky ledge, possibly part of a cliff or a viewing platform.

The truth that makes men free is
for the most part the truth which
men prefer not to hear.

— Herbert Agar

Pulitzer Prize winning columnist
Louisville Courier-Journal

Identifying Other Maladaptive Behaviors and Artifacts

- Sometimes organizations develop behaviors and artifacts that are maladaptive (externally or internally) but where there are no formal espoused values.
- In these circumstances, the maladaptive artifact and its underlying tacit assumption still create problems for the organization.

An Example of a Maladaptive Artifact . . .

- **Artifact**: In this organization executive leaders are expected to be “doers.” They are fully accountable for and expected to know the details of every aspect of their business.
- **Tacit Assumption**: What we value most is a structure where a few people make all of the decisions and are personally accountable for the results of their decisions.
- **Consequences**: What are the short and long-term consequences (+/-) for individual executives, for their staff, and for the company?



If you obey all the rules,
you miss all the fun.

— Katharine Hepburn
American actress

High Leverage for Culture Change

Actually changing your organizational culture requires focused efforts using both *formal* and *informal* leverage points to directly influence both tacit assumptions and artifacts that undermine organizational performance (external survival and internal integration).

- High Leverage: A mechanism for change where a targeted and focused effort leads to the greatest amount of gain/improvement in your intended target.

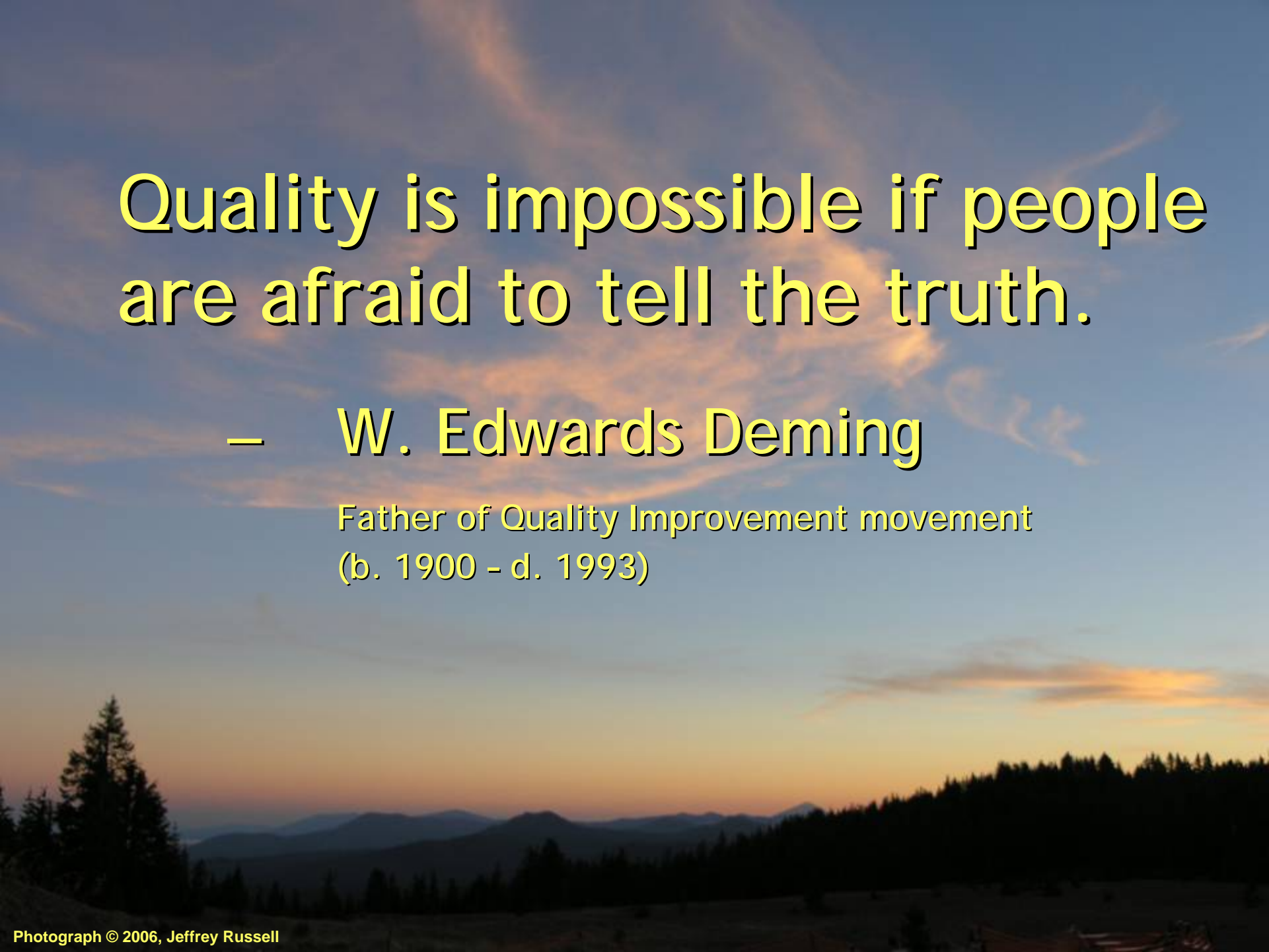
Formal and Informal Levers

| Formal | Informal |
|--|---|
| <ul style="list-style-type: none">■ Performance management■ Performance reviews■ Goal Setting■ Sanctions■ Rewards■ Celebrations■ Promotions■ Discipline■ ? | <ul style="list-style-type: none">■ Tapping Informal Leaders■ Communicating Through Social Groups■ Utilizing the Friends and Family Network■ Promoting Celebrations of Milestones and Events■ Ceremonies■ Storytelling |

What other formal and informal mechanisms can we use to influence our cultures?

Influencing the Culture

| Assumption | Formal | Informal |
|--|---|---|
| <p>What we value most is a structure where a few people make all of the decisions and are personally accountable for the results of their decisions.</p> | <ul style="list-style-type: none">■ Require each executive to identify and develop one or more possible successors■ Require executives to identify the decision making rule they used in their dept. for a given decision (unilateral, consultative, empowered team) and why used■ Train front line managers on critical thinking and PSDM skills■ Develop formal PSDM methods and hold people accountable for using these methods | <ul style="list-style-type: none">■ CEO models desired behaviors – asks for input from others; defers making decisions and asks others to take the lead; stops working Saturday mornings; asks executives <i>who</i> they will ask to solve a problem . . .■ CEO praises executives who share their power■ Leaders telling a story/sharing an example where non-executive involvement in decision making saved the company big \$ or avoided disaster |



Quality is impossible if people
are afraid to tell the truth.

– W. Edwards Deming

Father of Quality Improvement movement
(b. 1900 - d. 1993)

You Shape Your Culture By . . .

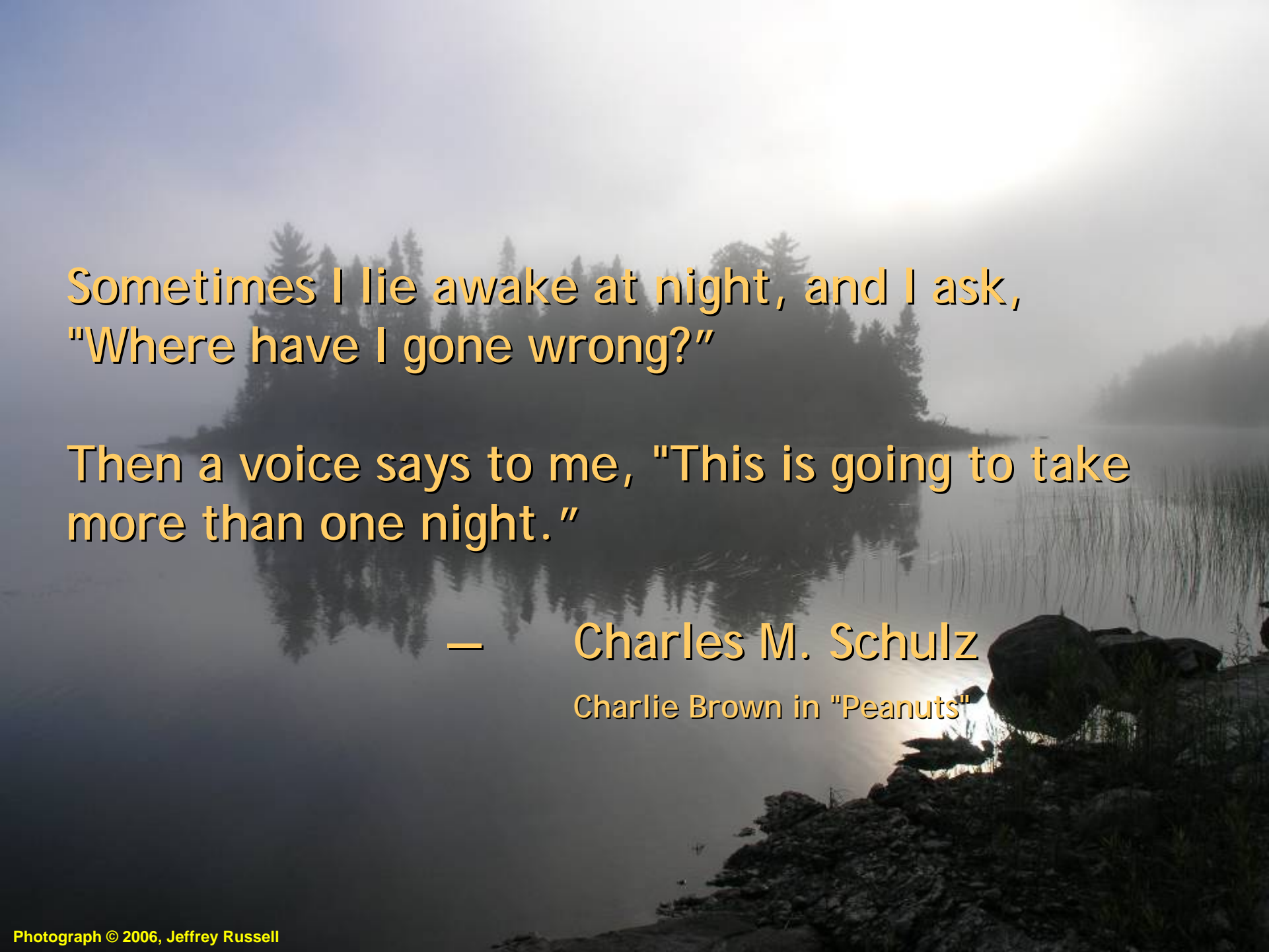
- What you pay attention to
- What you reward
- Who you celebrate . . . and who you condemn
- Who you promote . . . and who you demote
- Who you hire . . . and who you fire
- How you respond in a crisis
- What you say . . . but, most importantly . . .
- **What you DO!**



Destiny is no matter of chance. It is a matter of choice: It is not a thing to be waited for, it is a thing to be achieved.

— William Jennings Bryan

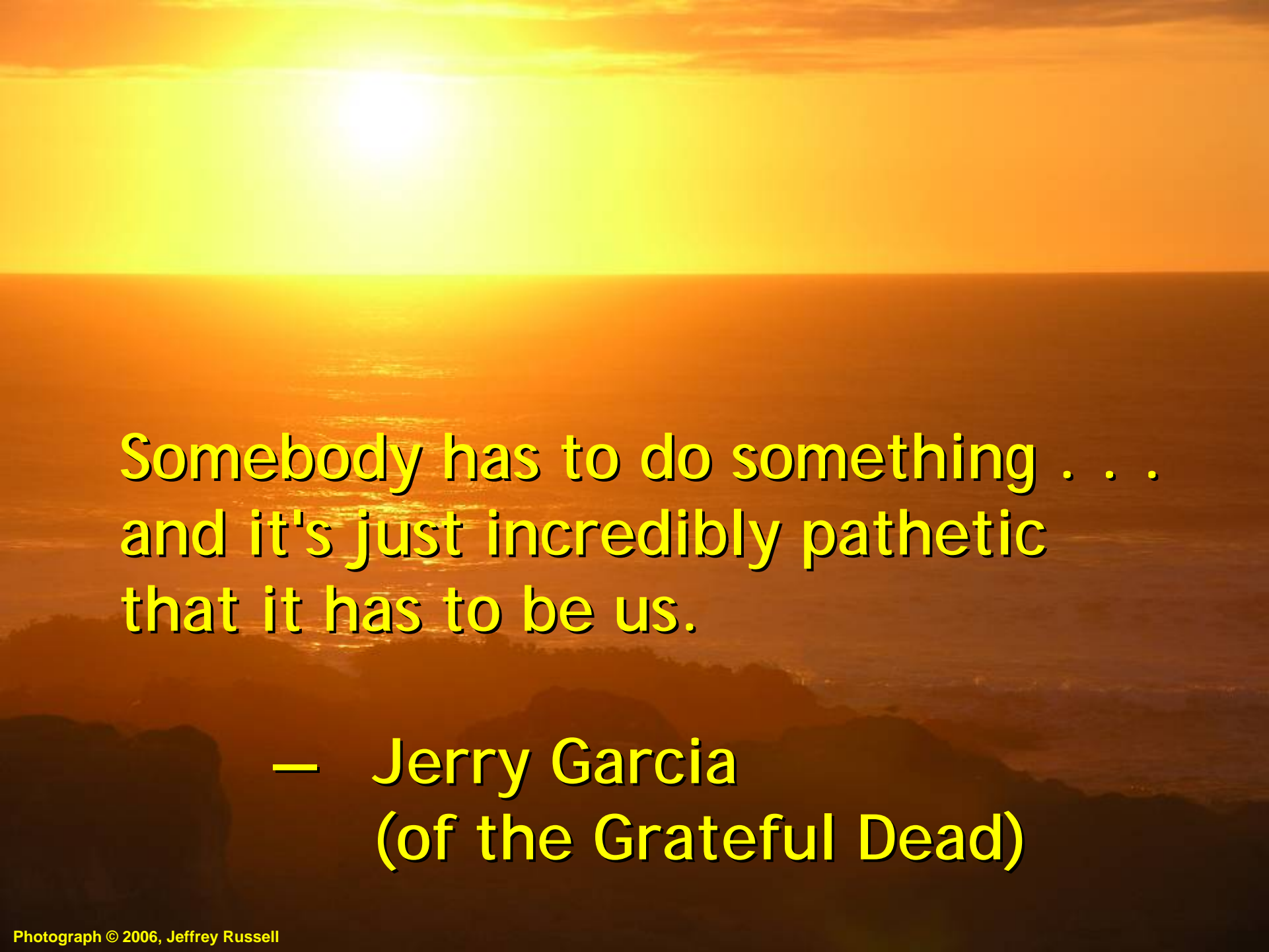
Populist candidate for U.S.
President, late 1800's

A misty lake at dawn with a forest in the background and a rocky shore in the foreground. The sun is low in the sky, creating a soft glow. The water is calm, reflecting the trees and the sky. The foreground shows dark rocks and some reeds.

Sometimes I lie awake at night, and I ask,
"Where have I gone wrong?"

Then a voice says to me, "This is going to take
more than one night."

— Charles M. Schulz
Charlie Brown in "Peanuts"

A photograph of a sunset over a body of water with mountains in the background. The sun is low on the horizon, creating a bright orange and yellow glow that reflects on the water. The sky is filled with soft, wispy clouds. The mountains in the foreground are silhouetted against the bright light of the sunset.

Somebody has to do something . . .
and it's just incredibly pathetic
that it has to be us.

— Jerry Garcia
(of the Grateful Dead)

Thank You!

Best of luck with understanding and *changing* your company culture!

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Presentation

