Organizational Culture and Effectiveness

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Abstract

This paper develops a model of organizational culture and effectiveness based on four traits of organizational cultures; involvement, consistency, adaptability, and mission. Two of the traits, involvement and adaptability, are indicators of flexibility, openness, and responsiveness, and were strong predictors of growth. The other two traits, consistency and mission, are indicators of integration, direction, and vision, and were better predictors of profitability. The study of organizational culture may benefit from a focus on shared values, one of its measurable core elements. A typology of value systems based on the content (functional-elitist) and source (traditional-charismatic leadership) of values permits a contingency approach for the analysis of the emergence, change, and maintenance of a culture as well as the contributions culture makes to organizational effectiveness.

Keywords: Organizational cultures, Predictors, Integration, organizational effectiveness.

Introduction

Organizational culture is defined as a set of beliefs, values, and assumptions that are shared by members of an organization. These underlying values have an influence on the behaviour of organizational members, as people rely on these values to guide their decisions and behaviours. Extrapolating from the influence culture has on the behaviour of organizational members, much has been written about the impact of culture on an organization's effectiveness.

While multiple conceptualizations of organizational culture can be found in the literature, we have adopted the competing values framework as it is perhaps the most popular approach to assessing culture where the interest is on relating culture to organizational performance.

Group culture

The group culture corresponds to the quadrant identified with high flexibility and an internal focus. Group dynamics are very important, as belonging to the group becomes a value that is tightly held. Group cultures also value cohesiveness, participatory decision-making and considerate support among co-workers. Managers support and leverage these values through empowerment, mentoring, and support of teamwork.

Developmental culture

An externally-focused emphasis on flexibility defines the developmental quadrant. This cultural orientation is one of change and adaptation in hopes of growing the organization. Leadership supports entrepreneurial ventures and inspires creativity in employees in hopes of acquiring new resources for the organization.

Rational culture

The rational quadrant emphasizes externally-focused control. Goal attainment is an important value in this type of culture as goals represent a form of controlling employee actions while directing behaviour towards the external environment. These cultures tend to value productivity, achievement, and competition towards well established criteria.

Hierarchical culture

An emphasis on internally-focused control defines the hierarchical quadrant. This culture is one of uniformity and coordination with an emphasis on internal efficiency. Strict guidelines tend to regulate behaviours, and employees value job security in this somewhat rigid environment.

Balanced culture

A balanced culture is one in which the values associated with each of the CVF culture domains are strongly held. The concept of cultural balance within the CVF and suggested that organizations with balanced cultures have a distinct advantage in managing environmental shifts.

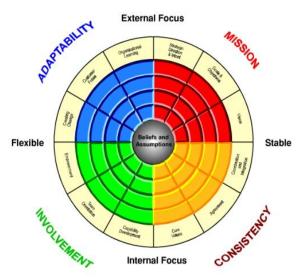**The Denison model is based on four cultural traits of effective organizations that are described below**

Figure 1. The Denison organizational culture model

1. **Involvement**. Effective organizations empower their people, build their organizations around teams, and develop human capability at all levels. Executives, managers, and employees are committed to their work and feel that they own a piece of the organization. People at all levels feel that they have at least some input into decisions that will affect their work and that their work is directly connected to the goals of the organization.

2. **Consistency.** Organizations also tend to be effective because they have "strong" cultures that are highly consistent, well coordinated, and well integrated. Behavior is rooted in a set of core values, and leaders and followers are skilled at reaching

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agreement even when there are diverse points of view. This type of consistency is a powerful source of stability and internal integration that results from a common mindset and a high degree of conformity.

3. **Adaptability.** Ironically, organizations that are well integrated are often the most difficult ones to change. Internal integration and external adaptation can often be at odds. Adaptable organizations are driven by their customers, take risks and learn from their mistakes, and have capability and experience at creating change. They are continuously changing the system so that they are improving the organizations' collective abilities to provide value for their customers.

4. **Mission.** Successful organizations have a clear sense of purpose and direction that defines organizational goals and strategic objectives and expresses a vision of how the organization will look in the future. When an organization's underlying mission changes, changes also occur in other aspects of the organization's culture.

Managing Shifts in Organizational Culture

Organizational cultures are neither uniform nor static. They evolve over time, and so it seems reasonable to posit that all cultural systems will exhibit continuous, incremental changes punctuated on occasion by more episodic, radical change. Mergers and acquisitions represent sudden and major change and generate a great deal of uncertainty. How change occurs within organizations will be influenced by the fact that cultures are underpinned by deep assumptions that are patterned and shared.

The manner in which the culture change for each individual is evoked also has a significant impact on the result and the consequences for each individual. A parallel one-sentence definition of culture emphasizes the meaning of events that are occurring in the workplace, and how these events influence how competitive threats are assessed or new ways of doing things are introduced.

On the one hand, some amount of time pressure and possibly competition appears to be facilitative; on the other, too much pressure appears to lead to unimaginative solutions. An organization's core values and strategic objectives will impact on individuals' perceptions of their environment.

Acceptance of Change

Corporate leaders often encounter resistance to their efforts to redirect an organization. When cultural change occurs, employees become aware that the measuring tools for performance and loyalty have changed suddenly. This threat to old corporate values and organizational lifestyles leaves organizational members in a state of defensiveness accentuated by low levels of trust within the institution and cultural shock. Employee reactions pass through four stages: (1) disbelief and denial, (2) anger, then rage and resentment, (3) emotional bargaining beginning in anger and ending in depression, and finally (4) acceptance. Unless these different stages are recognized and dealt with astutely, employees will resent change, will have difficulty reaching the acceptance stage, and the risk of merger failure is increased significantly.

Conclusion

The results are in line with the view that each of the cultural traits of involvement, consistency, adaptability, and mission influence firm effectiveness. Managers aiming to improve a broad spectrum of effectiveness measures should

therefore focus on increasing their organizations' scores on all trait measures and not just one or two. While imbalances between adaptability and mission and between involvement and consistency exert the expected negative effects on relevant measures of firm effectiveness, imbalances between mission and involvement and between adaptability and consistency may in fact improve certain effectiveness measures.

References

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