

Leadership in Organisational Culture Building –A “Scientific Art”

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Abstract:

The culture of an organisation is its personality and character. Organisational culture is made up of shared values, beliefs and assumptions about how people should behave and interact, how decisions should be made and how work activities should be carried out. Key factors in an organisation’s culture include its history and environment as well as the people who lead and work for it. An understanding of organisational culture is essential for effective leadership. Leaders and managers will be better placed to implement strategy and achieve their goals if they understand the culture of their organisation.

To gain an understanding of the culture of an organisation, its written and unwritten rules should be examined alongside the relationships, values and behaviours displayed by its people. This checklist begins by outlining some well-known approaches proposed by management theorists to classify organisational cultures. These suggest the dimensions one should look at when assessing expressions of culture in a particular organisation. Secondly, it indicates the key steps to follow and questions to ask to help gain knowledge and understanding about organisational culture.

In this paper a humble attempt is made to understand various approaches of organisational culture, how culture building in organisations is done as a Scientific Art. Further, the author tries to analyse the role of leaders in the organisational culture building in the gamut of various formal roles. HR Roles in shaping organisational culture were discussed at length.

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Organisational Culture-An Overview

The culture of an organisation is its personality and character. Organisational culture is made up of shared values, beliefs and assumptions about how people should behave and interact, how decisions should be made and how work activities should be carried out. Key factors in an organisation’s culture include its history and environment as well as the people who lead and work for it. An understanding of organisational culture is essential for effective leadership. Leaders and managers will be better placed to implement strategy and achieve their goals if they understand the culture of their organisation. Strategies that are inconsistent with organisational culture are likely to meet with resistance and will be more difficult or even impossible to implement sometimes, while strategies that are in line with it will be easier to put into effect and more likely to succeed. It is also important to understand the existing culture of an organisation when thinking of introducing new changes.

Variance in Understanding Organisational Culture

It is often difficult to specify what exactly drives a particular culture, but easier to observe its effects – for example, the culture of an informal small software company may be quite different from that of a large financial corporation and different again from that of a hospital or an university. It can take years for new joiners to fully understand and absorb the culture, or this may happen relatively at a faster pace. – The extent to which the organisation has a successful ‘**on-boarding**’ approach would be important here. However, in certain circumstances, an influx of new employees, especially at senior levels, can modify the existing culture. In practice it should also be recognised that while an organisation may have an ‘**umbrella**’ culture – broadly defining how things should be done and what is acceptable – subsidiary cultures can emerge based on work roles or other allegiances. Inevitably culture is experienced and interpreted subjectively by individuals in the context of their own beliefs, and also their perspective on the organisation - some facets may have more relevance for some people than others depending on their roles.

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Defining organisational culture-Management Thinkers Approach

Organisational culture is the way that things are done in an organisation, the unwritten rules that influence individual and group behaviour and attitudes. Factors that can influence organisational culture include: the organisation's structure, the system and processes by which work is carried out, the behaviour and attitudes of employees, the organisation's values and traditions, and the management and leadership styles adopted.

Approaches for understanding organisational culture:

A number of management thinkers have studied organisational culture and attempted to classify different types of culture. The following approaches may be not only helpful in assessing and understanding the culture of an organisation, but also illustrate its inherent complexity. Observers should recognise that an organisation's culture can be viewed from multiple angles, and its characteristics can be reflected in a number of overlapping dimensions. Edgar Schein believed that culture is the most difficult organisational attribute to change and that it can outlast products, services, founders and leaders. Schein's model looks at culture from the standpoint of the observer and describes organisational culture at three levels:

- **Artefacts** - organisational attributes that can be seen, felt and heard by the uninitiated observer, including the facilities, offices, décor, furnishings, dress, and how people visibly interact with others and with organisational outsiders
- **Espoused values** - The professed culture of an organisation's members. Company slogans, mission statements and other operational creeds are useful examples
- **Basic underlying assumptions** - which are unseen and not consciously identified in everyday interactions between organisational members. Even people with the experience to understand this innermost level of organisational culture can become accustomed to its attributes, reinforcing the invisibility of its existence.

Geert Hofstede is well-known for his work exploring the national and regional cultural influences which affect the behaviour of organisations (see Related Models and Thinkers). He also collaborated with Bob Waifish to develop an Organisational Culture Model, based on empirical research and featuring six dimensions. These are:

- › **Means oriented Vs Goal oriented** - The extent to which goals (the 'what') or the means (the 'how') of conducting work tasks are prioritized. This may affect attitudes to taking risks or contributing discretionary effort.
- › **Internally driven Vs Externally driven** - Externally driven cultures will be more pragmatic, focusing primarily on meeting the customer's requirements, while internally driven cultures may exhibit stronger values.
- › **Easy-going Vs Strict** - stricter cultures run on a high level of discipline and control, while easy-going cultures tend towards more improvisation.
- › **Local Vs Professional** -The extent to which people identify with their immediate colleagues and conform to the norms of this environment, or associate themselves with a wider group of people and practices based on their role.
- › **Open system Vs Closed system** - The extent to which new comers are accepted and the differences they bring are welcomed
- › **Employee-oriented Vs work-oriented** - The extent to which the employee's well-being is prioritised at the expense of the task, or vice - versa.

Charles Handy links organisational structure to organisational culture. Handy describes:

› **Power Culture** - power is concentrated among a few with control and communications emanating from the centre. Power cultures have few rules and little bureaucracy; decision making can be swift

› **Role Culture** - authority is clearly delegated within a highly defined structure. Such organisations typically form hierarchical bureaucracies where power derives from a person's position and little opportunity exists for expert power

› **Task Culture** - teams are formed to solve particular problems with power deriving from expertise

› **Person Culture** - here, all individuals believe themselves superior to the organisation. As the concept of an organisation suggests that a group of like-minded individuals pursues common organisational goals, survival can become difficult for this type of organisation. However, looser networks or contractual relationships may thrive with this culture.

Gerry Johnson and Kevan Scholes developed the Cultural Web in 1992. It is a representation of the taken-for-granted assumptions of an organisation which helps management to focus on the key factors of culture and their impact on strategic issues. This can identify blockages to and facilitators of change in order to improve performance and competitive advantage.

The Cultural Web contains six inter-related elements:

› **Stories** - the past and present events and people talked about inside and outside the company

› **Rituals and routines** - The daily behaviour and actions of people that signal acceptable behaviour

› **Symbols** - The visual representations of the company including logos, office decor and formal or informal dress codes

› **Organisational structure** - includes structures defined by the organisation chart, and the unwritten lines of power and influence that indicate whose contributions are most valued

› **Control systems** - The ways that the organisation is controlled including financial systems, quality systems, and rewards

› **Power structures** - Power in the company may lie, with one or two executives, with a group of executives or a department, or it may be more evenly distributed in a 'flat' organisational structure. These people have the greatest amount of influence on decisions, operations, and strategic direction.

Appropriate culture building for organisations-A real Phenomenon

Culture is one of the most commonly used but rarely understood word. Whenever a group of people assemble together for certain common objectives, groups culture is always the topic of the discussion. This group can be a community based groups or corporate organizations. It's the culture of the group which plays the pivotal role in the success of the group. When it comes to professionally managed organizations, organizational culture is always the topic of discussion in the board room. Each and every organization invests good efforts in setting the right culture but very few succeed in achieving the same.

So, where is the missing link?

The missing link lies in the understanding of what is an organizational culture and what actions can build the right organizational culture. Let's try to get the answer of these two points. What is a culture? There are many definitions which try to describe the culture. As per me, whenever a group of people assemble together for certain common objectives, they demonstrate certain behaviour and develop common habits. The common behaviour and habits demonstrated by the group defines the culture of the group. If each and every person within the organization completes its tasks within the time-lines, one can say that this organization has a culture of on time task completion but if majority of the members delays in their task completion, the organization will be known for the absence of time management culture. It's the action of the members of the group that defines the culture.

For the organizations who wish to build the set of cultures within the organizations, it has to ensure that those sets of habits and behaviours are demonstrated by each and every person of the organization. This demonstration has to start with the top level leadership team and has to be percolated down till each and every member of the organizations.

Culture Building in Organisations is a “Scientific Art”

What’s the right approach to build an organizational culture? Is building the culture is a science or an art? As per me, it’s neither a science nor an art. I call building organizational culture is a “Scientific Art”. As per me the term scientific art is a fusion of scientific approach with innovation capabilities. Building an organization culture definitely requires a step by step approach but each step needs to be innovatively designed and implemented by understanding the group dynamics.

When it comes to culture building, we have to understand that the culture is built by the people and people need to be guided for the same so that they do not miss the track totally.

This task is achieved by the “science” part of scientific art. At the same time, since culture is an element which is built by the people of the organization and for the people of the organization, it cannot be copy pasted. Each organization is unique. It’s unique in terms of its policies, processes, products, services, regional cultures, customers and other stakeholder’s expectations etc. This uniqueness calls for the art i.e. including innovation for the culture building. Even if one organization has two plants, the action points which have worked in one plant may not work in other plant due to this uniqueness.

Organisational Culture and Formal roles in organisations

Company Culture is everyone’s Responsibility: Here is how an organizational culture might have been handled in the past. The CEO commissions the Human Resources department to produce an effective company culture. HR designs a campaign to tout a mission statement and core values. HR also implements some employee perks like free snacks in the break room or monthly birthday celebrations. Maybe they also field an annual employee engagement survey and report results back to the CEO. Then with their culture-building to-do lists completed, the CEO and HR move on to other priorities.

Next, company culture has grown in magnitude, thanks to recent high-profile culture crises such as those at Uber and Wells Fargo, the intensified push for DEI initiative (diversity, equity, and inclusion), and the continuing battle for talent. Culture has become a strategic priority with impact on the bottom line. It can’t just be delegated and compartmentalized anymore. A new culture-building approach is already in place at some organizations, one in which everyone in the organization is responsible for it. Importantly, this model doesn’t relegate culture-building to an nebulous concept that everyone influences but no one leads or is accountable for. And it weaves in perspectives from employees to customers, from middle managers to the CEO. Shared responsibility for culture throughout an organization involves different people and functions within the organization playing different roles in developing and maintaining the culture.

In this context, culture can be defined as the ways in which people in the organization behave and the attitudes and beliefs that informs those behaviors (i.e., “the way we do things around here”) — including formal, stated norms as well as implicit ways people work and interact. At many organizations there is a gap between the existing culture and the “desired” culture — the culture needed to support and advance the company’s goals and strategies. In a new culture-building model, everyone is responsible for cultivating the desired culture.

Leadership and Culture Building in organisations (Cultivating culture from different formal roles):

This approach assigns different roles in defining and developing the culture. This happens through formal roles as well as informal spheres of influence and reflects how organizations actually operate these days. It also establishes clear accountability patterns for results. While the actual implementation of this approach may vary based on the type, size, age, and structure of the organization.

The general distribution of responsibility is like this:

1. **Board of directors:** Guide the definition and development of the desired culture, ensuring that it aligns with business goals and meets the needs of all stakeholders.
2. **CEO and senior management team:** Define the desired culture and cultivate it through leadership actions including setting objectives, strategies, and key results that prioritize culture-building; and designing the organization and its operational processes to support and advance the company's intent, direction and core values.
3. **Human Resource department:** Design employee experiences that interpret and reinforce the desired culture. Also, implement strategies and programs that enable the rest of the organization to fulfill their culture responsibilities, such as offering training programs that develop leader capacity for culture-building and employee engagement; and developing culture guidebooks, processes such as performance management, and systems such as rewards and recognition programs that nurture the desired culture.
4. **Compliance, Risk, and Ethics department:** Provide input to the CEO and senior management team on the definition of the desired culture from the perspective of ethics and risk. Also, ensuring that execution on the desired culture across the organization aligns with the company's risk management strategies through tools such as ethics decision trees, processes such as a whistleblower program, and systems such as compliance monitoring that align with the desired culture.
5. **Middle managers:** Deliver employee experiences that interpret and reinforce the desired culture. Also, implementing culture-building strategies, cultivating employee engagement with the desired culture, and fulfilling the culture-building responsibilities of employees.
6. **Employees:** Provide input to the CEO and senior management team on the definition of the desired culture and culture-building programs and tactics by providing insights on how the desired culture aligns with or differs from the actual culture, customer perspectives, and employee needs and expectations. Employees should provide feedback on existing culture-building efforts and ideas for new ones. Also, creating, adhering to, and enforcing routines and norms that interpret the desired culture; and aligning their attitudes and behaviors' with the desired culture.

The Roles of Boards and Middle Managers

In this new distribution of culture-building responsibilities, let's look at the following two groups

Board of Directors

Culture can be an asset as well as a risk to an organization. As Sir Adrian Montague, former Chairman of Aviva plc, says, "Culture is the glue that binds an organization together. It has a very significant impact on the firm's effectiveness, ethics, and governance. How could a board not have a view on the fitness for purpose of the firm's culture?" And yet, according to the Financial Reporting Council, Boards of Directors are often not actively engaged in culture-building.

What's more, the average CEO tenure has decreased relative to board member tenure and is now approximately five years (vs. over twice that length for board members), according to an article in HBR and CGLytics. So, boards have a greater longitudinal perspective to inform the purpose of the company and to assess the organization's delivery on it. And Strategy+business reports that Boards of Directors are increasingly expected to enforce accountability on issues such as purpose, mission, and core values.

So, the board must play a more active role in culture-building. It should guide the definition and development of the desired culture, ensuring that it aligns with business goals and meets the needs of *all* stakeholders. The board carries out this responsibility by:

- Designating culture as a regular agenda item during board meetings
- Engaging ongoing conversations with the CEO/owner and the leads of Human Resources and Compliance, Risk, Ethics, and DEI about culture priorities, strengths, gaps, and challenges

- Commissioning culture audits and assessments and reviewing results and indicated actions
- Considering culture leadership capabilities in succession planning and senior officer recruitment
- Vetting and approving public statements about the organizational culture

At the non-profit Water Aid, the board has been highly instrumental in ensuring the organization's performance is aligned to its values. Board members regularly engage in conversations — with executives, among board members, and with staff in seminars on particular issues — about the changing context of the organization's work and what it means for achieving its vision and strategy.

Talk Talk, the British telecom, provides another example of how a board exerts culture shaping responsibilities. After a data breach crisis prompted widespread culture change at the company, board members began asking questions about risk differently. Instead of narrowly focusing on their technical responsibilities and simply asking, "Are we safe?" directors adopted broader oversight for the organization's culture and enhanced influence on risk management. By asking "What risks are we taking and how can they be minimized?" directors are able to make more informed judgments about the level of risk the company embraces.

Middle Managers

Leaders in the middle layers of an organization's hierarchy, such as department managers, store managers, and program leaders, wield the most influence on employees' daily experiences, so they play a critical role in company culture. But middle managers in many organizations are not usually empowered to influence culture to the degree that higher-level leaders are — and they're often overlooked in culture-building endeavours.

Middle managers can and should play a critical role in cultivating the desired culture by:

- Ensuring the tools, environment, and intangible aspects of employees' day-to-day work life which represents the company's employee experience strategy
- Applying the organization wide culture-building objectives, strategies, and key results to the context of their group or function
- Conducting coaching and training with employees to cultivate their engagement with the desired culture
- Communicating and role-modeling the desired culture

Produce Results through Shared Responsibility

With each group or function embracing its culture-building responsibilities, a healthy, well-aligned, effective culture improves business performance results.

For instance, Old Mutual Wealth fund back in 2012, in its efforts to recover from the financial crisis, the firm's board drove the re-definition of the corporate purpose and mandated the senior management team to pursue it.

To cultivate a customer-centric culture, executives set a new strategy to reinforce customer experience, created a new group customer-director role, and identified organization-wide customer-first behaviours that were incorporated into employee performance reviews, managerial feedback systems, and an all-employee survey. To further operationalize the values of the new culture, they rolled out a new group operating model and new governance models were created.

The widespread changes spawned a new culture throughout the organization in which everyone took responsibility for their decisions, starting with the CEO who made clear statement that nobody would be blamed for giving him bad news. Within 12 months, 90% of the firm's UK and European insurance books were replaced by new products aligned to the board's vision. Old Mutual's share price more than doubled in five years.

Embrace the Changes and New Requirements of Culture

The shift to a culture-building approach based on shared-responsibility both reflects and requires changes in the nature of organizational culture and its impact on the business.

The new approach shows that organizational culture has become less a code established by leaders and more of a toolkit for all to draw from and input to. As the authors of a recent Stanford Social Innovation Review paper observe, “Culture persists only because people act in ways that uphold its principles and codes.” As employees engage with the culture as a resource from which to shape their skills and habits instead of a mandate decreed by top managers, culture becomes “expressed and re-fined through practice.”

A company’s culture needs to be adaptable. There are many external factors exerting pressure on any business as well as internal changes such as leadership transitions and expansions. The culture needs to keep abreast of these changes. Attempts to lock in a certain type of culture over the long term at best will fail; at worst they will hinder the organization’s competitiveness and sustainability.

This point is a key requirement of the shared-responsibility approach to culture-building. Changes to the culture must be explicitly communicated and vetted by all. Everyone may not agree with the changes, but they must understand them and agree to support them.

To achieve the desired culture, everyone must have a clear, consistent, common understanding of it — and everyone must work together and put in a deliberate and coordinated effort to cultivate it.

HR’s role in shaping Organisational culture:

As mentioned before, leadership plays a critical role in shaping culture. HR also has an important role in shaping culture and influencing leadership. According to Gallup, “HR leaders are responsible for aligning managers and employees with the aspired culture, fostering a sense of ownership for that culture and maintaining accountability throughout all levels of the company. Therefore, HR must be educating and equipping leaders and managers to model cultural values and to own their roles in fostering the desired culture.”

An organization’s culture manifests itself through the entire employee life cycle, in the areas such as:

- The recruitment process and recruiters
- employee on-boarding into the organization and business units
- performance management
- skill development
- employee discipline
- And the decisions made from the results of employee pulse surveys.

As key influencers, HR shapes organizational culture by:

Providing feedback

HR should always be actively listening to employees and providing feedback to leadership. Employee pulse and engagement surveys, employee focus groups, and one-on-one interviews are all valuable methods through which HR can stay in touch with employee sentiments.

Now a day’s HR is increasingly using predictive analytics to predict future outcomes from existing and historical data, e.g., who is likely to leave the organization based on engagement feedback. HR can then take the necessary steps to customize its engagement with specific employees. Providing employee feedback and responding to it is especially important to organizations with a clan culture.

Embracing Diversity, Equity & Inclusion

There are different opinions as to where Diversity, Equity and Inclusion (DEI) or Diversity, Equity, Inclusion and Belonging (**DEIB**) should be located in the organization's structure – as part of the HR department or as a standalone unit. It depends on the size of the organization and the resources available to invest in this area.

Regardless of where its place is, HR still has a role in ensuring organizations attract diverse candidates and utilize inclusive hiring practices. They help create inclusive environment at work by being equitable to diverse perspectives, personalities, and backgrounds of employees..

Many organizations with an adhocracy culture are very diverse because there is recognition that, diversity and inclusivity often result in innovation and creativity.

Being change champions

We seem to be in the constant of change. It is the new normal in most, if not, all organizations. While change can be uncomfortable and there is often resistance to it from employees, it is the role of HR to champion these changes.

During a digital transformation or organizational culture change, HR is expected to assess its own processes to determine what can be streamlined or automated to improve efficiency and employee experience in the organization.

An adhocracy culture should not have an HR department that is snowed under with bureaucratic procedures. When an organization with a market culture wants to increase its customer share in the market and improve customer satisfaction, HR must ensure the right employees are hired, have the right skills, and receive competitive compensation.

This may require HR to conduct a compensation analysis to determine how it can change and improve its compensation structure to be competitive in the market. A competitive reward and recognition system can motivate employees to attract new customers and ensure their satisfaction.

Developing & applying policies

HR must develop policies that support employment laws and reflect and shape the organization's culture. The HR department oversees a consistent application of these policies to ensure a culture of equity and inclusion. It helps provide a sense of predictability, stability, and safety to its employees. This is very important to organizations with a hierarchy culture.

Organizational culture has a significant impact on how your company approaches work and business, its brand, and whether it achieves its organizational objectives. With the knowledge of different types of organizational culture, you understand which type your organization aspires to have and what you need to change to get there.

HR leaders also know they are influencers and change agents in shaping organizational culture. Most importantly, HR understands what HR initiatives would be most beneficial to its organization based on their current culture or the culture to which their organizations aspire.

Culture has become an invisible force which is intangible, yet very critical. Organisations have warmed up to a big shift where employee-employer relations were more balanced and equivalent. Subsequently, the relevance of levels, bands and hierarchical structures have significantly trimmed down as companies' progress towards more linear ones. Office spaces have become open and mobile. Leaders across functions are adept at giving their employees the right experience and prioritize employee relationship. Organisations see an opportunity to create a differential value proposition which is more aligned to individual's aspirations and organisational goals.

One solution fits all-Can it Be?

The age old theorem is being finally discarded. Today, as the millennial and Gen-X leading the talent pool the need is for greater flexibility in the talent management process. Rigidity holds no place in the organisation, but quality of life makes a big difference.

Compensation designs, carving a career roadmap, customizing benefits are just some of the ways to nudge talent out of these new age job seekers. HR Leaders are placing more emphasis on the resource so that they can bring out the best result.

If organisations look back at the development that HR space has gone through, they see that lot of re-skilling and up-skilling has happened. Organisational power skills like transferrable talents which can percolate down from the top play a pivotal role here. Efficient transfer of skill helps in smarter execution and better company growth. It not only improves employee satisfaction, but also helps in retaining better employee practices. Investment in employees yields higher returns.

To conclude-Culture is like a mesh; if one string goes weak the whole mesh becomes weak. If you wish to make your organisational culture strong, do not restrict the data to a certain league of employees. Scattered data will benefit not only the whole team but also the organisation's smooth functioning. It creates a model for your organisation which is more responsive and hybrid.

This allows all to be involved and that eventually bring responsibilities. Responsibilities bring importance that result in superior performance. In the current scenario; a company that is culture-rich and purpose-driven will be smarter and sustainable.

References:

ADDITIONAL RESOURCES:

BOOKS

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5. Organizational behaviour and management, 4th ed, John Martin and Martin Fellenz, Andover: Cengage Learning EMEA, 2010-see chapter 14
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RELATED THINKERS

- 10 Charles Handy: understanding the changing organisation
- 45 Edgar Schein: careers culture and organisational learning
- 03 Geert Hofstede: cultural diversity

RELATED MODELS

- Handy's four types of organisation culture
- Hofstede's cultural dimensions
- Johnson and Scholes' cultural web

INTERNET RESOURCES

- The Hofstede Centre Organisational Culture Model <http://geert-hofstede.com/organisational-culture.html>