A Dissertation Submitted to the University of Pecs

The Role of Organizational Culture in a Successful Change Process

Summary provided for the doctoral procedure

By; Jacob Ben-Ami, MBA

Tutor: Prof, Ferenc Farkas, PhD

The Faculty **of Business** and **Economics**

University of Pecs
2003

Abstract

This study examines the organizational culture in the context of organizational change, focusing on the role of culture in the success of the change process. Too many organizations failed in their attempt to change systems and work processes since they were merely mechanistic in their approach and neglected the role of culture within the process.

The main two hypotheses laid in this research were !

1.   There is a positive correlation between the dissatisfaction with the current organizational culture and the success of the change process;
2.   There is a negative correlation between the strength of the organizational culture and the success of the change process.

Other hypotheses dealt with company size, company age, employees' professional experience, and employees' education as moderators in the above correlation. The research was conducted in IT division of a European corporate during a change process it went through, and included 12 companies. The preliminary stage of the research was in-depth interviews, which led afterward to a quantitative research conducted in twc stages. Findings of two companies were eliminated because of their small size and ou! of 700 employees 344 participated in the survey before change and 411 participated in the survey after the change (nine month later).

The findings confirm the two main hypotheses and most of the secondary ones:

1.   The stronger dissatisfaction with culture is the more eased is achieving success of the change process. It becomes even easier in more mature companies) with

longer employees' professional experience, and with lower level of employees education;

2, The stronger culture is the more difficult it is to achieve success of the change process, It becomes even more difficult in bigger companies, more mature, with longer employees' professional experience and with higher of employees education.

The main managerial consequences following these findings are:

(a) Strong culture may become a curse when change is required unless the culture is learning oriented and change focused;

(b) Change will be eased if managers consider dissatisfaction with the current situation as an essential tool to start breaking the status quo the organization is used to.

Introduction

One of the main characteristics of the world in the recent period and of the organizations functioning nowadays is the frequent change occurring all time long. One of the contemporary gurus of management has stated dramatically that today the only stable thing we are left with is the change itself, and probably this paradox best reflects the importance of change in today's life. Usually we find that organizational changes shake the entire internal power equilibrium and generally constitute a total shaking of the culture: the norms, values, concepts and habits of the organization. The organization reference to change is essentially paradoxical - on the one hand the organization, which aspires to achieve its goals, need change in order to adapt to the changing environment. On the other hand, change hurts the natural need of it's members, to, feel confidence in their working place and act in a well known and expected environment, which means sticking to the existing patterns of culture, The

employee's resistance to the introduced organizational change can often avoid the success of the process and sometimes-even harms the organization survival perspective. The inclination of all living organisms to keep an equilibrated condition constitutes the basic obstacle in every movement towards a change. Often the organization failure in its adjustment to new conditions occurs due to shortage of management understanding of the culture's role in the change process.

In the past, a successful change relied on the management that might energize all organization's systems, and which overcame the inclination to return to equilibrium. Today, since we accepted the paraphrase stating that 'equilibrium means death') it is not anymore sufficient. The real test of the organization readiness and ability to carry out the necessary change relies upon its culture. When the change process is Hot escorted with the necessary cultural changes, it will be not just the basis for resistance to the present change, but also for any future required changes.

This dissertation intent is to achieve a better understanding of the attribute of organizational culture to change and mainly an insight of the cultural challenge the changing organization manager face.

Literature Review hi a Glance

The purpose of the critical review of the literature within the dissertation was twofold: to help clarify and refine the research questions and to position this research within its genre. This study intends to examine literature in the relatively young fields of change management and organizational culture and to review some of the Works by the leading critics in these fields. This review covers also literature connecting the two phenomena together and discussing the mutual Impact on each Other. Lastly, the study

examines how organizational scholar view the contribution of strong culture to the change management process in order to reach the suggested results. The literature review is also intended to define key words, parameters and objectives for this study. In short, the purpose of this literature review is to gain insight and understanding into relevant previous research and the trends that have emerged in the field, to understand how cultures interact within a change process in order to best understand how to develop the thesis of this paper,

The study of organizational culture is an eclectic one since it was at the very beginning based on theories from two major disciplines: the anthropology and the organizational behavior, Today it is viewed as an independent field as for the last two decades scholars has developed comprehensive framework for a better insight of the organizational culture, All scholars agree that the organization can not exist without the organizational culture that is the normative system joining all members of the organization together.

We find in the literature various definitions for 'organizational culture', which differ some how from each other; some emphasize the meaning, some emphasize the way it is transmitted, some emphasize the applications on the organization, and some point out the culture mainly as pattern of behavior, All definitions have something obvious in common: they emphasize, this way or another, the importance of the culture for the organization and for the members of the organization since the culture helps the organization define itself and make its way into a potentially hostile environment, Culture serves as a mechanism for making organization members' world meaningful and predictable, and this way to decrease their anxiety, People working for one

particular organization have a specific way of acting and interacting which sets them apart from people working for other organizations.

This scholar adopts in his present research the model, which emphasizes that change needs to occur at the level **of** employees' lather than as a consequence of senior management's edicts. Thus although a culture change process might be initiated by senior management, for it to work it needs to be internalized by individual employees. This approach has led later the researcher to the hypotheses that pliof to successful change in the culture must be recognized by the individual employees' strong dissatisfaction with the present one.

An increasing number **of** researchers, practitioners, and managers, have found the concept of 'organizational culture' useful and necessary in analyzing and managing organizations. Leaders, especially, have become more aware **of** the critical role understanding **of** culture plays in their efforts to stimulate performance. The culture is regarded as the psychological 'glue' that holds the organization together, supplying members **of** the organization with the guiding beliefs, the theories-in-use, the mental models, and the basic principles for common action. AH these means to the member's stability and meaning they are seeking for, and it integrate and bind them together into a coherent whole to become organization.

Although over Hie last 25 years, a complex and often contradictory body **of** research and theorizing has developed about culture and its consequences, there is a consensus among the scholars that culture matter. But can the right culture lead to improved performance? **Most** organizational scholars and observers recognize that organizational culture has a powerful effect on the performance and long-term

effectiveness of organizations. Empirical research has produced an impressive array of findings demonstrating the importance of culture to enhancing organizational performance by providing a competitive advantage,

It is well demonstrated in the literature review that the leaders are the shapers of the organizational culture and those who are totally responsible for achieving a good fit between the culttue and the objectives of the organization. As a consequence one of leaders' key role is to recognize the need for an intervention which will lead culture reshaping and to manage the entire process since they have the power to alter it.

It should be remembered that just as company's mission and strategy can be supported by culture, it can also work against effectiveness. For example, in the corporate this research took place, since it was engaged for many years in traditional industries, the old culture did not encourage initiative, fast response, or creativity. Moving into the IT industry the old culture blocked every single chance to succeed.

There is a common agreement that strength of culture depends on the degree of sharing and consistency of cultural forms and orientations. The most popular definition agreed among scholars for strong culture states that it is a homogenous one with a wide consensus about the corporate mission, goals, means used to achieve goals, measurement of performance, and remedial strategies. For achieving strong culture organization, managers should mould all the elements of culture into an overall corporate culture by structuring the cultural web, and the stronger this web is, the belter it tend to keep people moving in roughly the same direction. Strong culture creates strong organizational commitment and high morale among the employees and these two leads to a better organizational performance. And of course, when a culture

is weak or in trouble people get frightened, and the organization fails to achieve its goals .

On the other hand organizations with strong cultures find them often to be a hairier to successful change. Particularly companies that face uncertain and changing environment and need to be flexible to adapt frequently to those changes will find that their strong cultures resist change, It happens since 'strong culture' creates rigidity that may prevent adaptation of the organization to the changing environment, There is empirical evidence that a company with strongly held values, when it has lost marketplace or economic relevance, it generally has great difficulty adjusting successfully, and meaning that the strong culture has become an obstacle. Most scholars see 'strong culture' as an obstacle for changes and for innovation, since 'strong culture' is very often a rigid one. So, is a strong culture a positive factor in organization contributing to its performance? There is not a clear-cut answer for the question siuce we face the 'organizational culture paradox': on one hand the culture support the stability, and on the other one * the culture is essential for any change.

While speaking about strong culture scholars are aware of the risk of obsolescence: what if the external environment changes and necessitates different responses? What if the beliefs, values and learned ways no longer Work? One of the most serious risks of a potent system of shared values is that economic circumstances can chahge While shared values continue to guide behavior in ways no longer helpful to the organization's success, The more dynamic the external enviroiuiient, the more likely it is that some elements of culture will become maladaptive, following dissatisfaction of members in the organization, and then more easily it will therefore be for leadership to actively hasten the process of cultural evolution and change. A distinctive researcher

in these particular domain claims that employees and managers still take it for granted that what worked to make the organization successful must still be right. From here on this scholar will derive an assumption about a positive correlation between the dissatisfaction with the current organizational culture and the success of the change process ,

All at all it brings us to an understanding that culture must not been seen as a static entity, rather as an dynamic and organic process which is created, sustained and continuously changed by people. In other words, organization's culture may be seen as an evolutionary process which to support the organizational objectives is unlikely to remain the same over time. How doesthe culture effect the changes organizations are supposed to go through? And on the other hand, how does the change effect the organizational culture?

The literature and the empirical evidence support the cpnnection between the pre-adjusting of (he organizational culture and the success of a change process. The more radical the change is, the more significant is the effect of the organizational culture on its success, The better one wants to prepare his organization for change, the more he has to invest in gaining the proper culture modifications to fit the supposed change. No successful change can be conducted without dealing first with the organizational culture. Those managers, who are not aware of this fact, will probably fail in their attempt to manage successfully a change process. Most scholars do believe that changing the organizational culture in accordance with the changes in the turbulent external environment, is one of the most important roles of nowadays managers. The meaning is that managers should have a proactive attitude toward this issue, defining which kind of culture serves the best way the goals and strategies of their

organization. In the next stage they are expected to draw a systematic way to achieve the required changes in the given organizational culture.

Nowadays organizational development is increasingly oriented around the notions of learning, innovation, and fast adaptation, in response to the ever- increasing rates of technological, social, economic, and political change. As a stabilizing force in organizations, culture is one of the most difficult aspects to manage in a climate of perpetual change. When we pose the issue of perpetual learning in the context of cultural analysis, it is easy to observe that we confront a paradox: culture is a stabilizer, a conservative force, way of making things predictable. As mentioned before managers attempt to mould strong culture that can control organizational behavior, but at the very same time it can also block an organization from making those changes needed to adapt to a changing environment. That's why we find a wide agreement that the power of the culture can be a problem as well as a source of strength. The 21st century managers face in fact a difficult dilemma; to ensure the effectiveness of their organization and to be successful they believe a strong organizational culture is required; but at the very same time they also need to assure that the culture will not prevent flexibility. The recommended ways by the reviewed literature to face this dilemma are either by allowing sub-cultures to develop, or by building organizational culture that values learning, change and flexibility.

As a consequence the contemporary approach views the most intriguing leadership role in culture management, in the attempt to develop a learning organization that will be able to make its own perpetual diagnosis and self-manage whatever transformations are needed as the environment changes. This approach becomes Widely spread since managers, especially, have become more aware of the critical rolé

10

the understanding of culture plays in their efforts to stimulate innovation, learning and change,

All together brings us to an understanding about the significance of the organizational culture within a change process. Managers should not just diagnose and measure it, but be responsible for gaining and sustaining a strong culture that is at the veiy same time eager to change when it is required. This is especially vital for organization acting in a turbulent environment, undergoing frequent radical changes. We find through the literature review that the two phenomena of organizational culture and organizational change are strongly interwoven. The more turbulent, ambiguous, and out of control the world becomes, the more vital it is to create and sustain a strong culture, and, at the very same time, to change perpetually. It brings us back to the paradox discussed before: managers of the 21'' century are mainly evaluated by their ability to establish organizational cultures that will themselves be more amenable to Change, These managers therefore, need to be persistent and consistent culture-architects, yet as learners must be flexible and ready to change.

The Research in Short

Hypotheses;

From the critical literature review this scholar derived two main hypotheses, each followed by four secondary ones:

1,   There is a positive correlation between the dissatisfaction with the current organizational culture and the success of the change process .

1.1 The company size moderates this correlation: the bigger the company is, the above correlation will be weaker.

1.**2The** company age moderates this correlation; the older the company is, the above correlation will be weaker.

1.3The professional experience of employees moderates this correlation: the bigger the experience is, the above correlation will be weaker.

1.4The employees education moderates this correlation: the higher the   education of employees is, the weaker will be the correlation between the dissatisfaction with culture and the success of the change process.

2.   There is a negative correlation between the strength of the organizational culture and the success of the change process.

Z.I The company size moderates this correlation: the bigger the company is, the above correlation will be stronger.

z.**2The** company age moderates this correlation: the older the company is, the above correlation will be stronger.

2.3The professional experience of employees moderates this correlation: the bigger the experience is, the above correlation will be stronger.

2.4Employees education moderates this correlation: the higher the education is, the above correlation will be stronger.

The research was combined of both a qualitative and a quantitative element, so as to get the best of both worlds: to use iti-depth interviews as Well as computerized survey. The outcome of such an analysis is a clear - as far as possible - picture" of major

barriers that are retarding or will retard a change effort, as well as clear indication of the remedial interventions that need to occur,

Findings;

The findings confirm the first hypothesis; There was found a positive correlation (r=0,496) between the level of 'dissatisfaction' and 'the success of the change process': the higher the dissatisfaction level is, the better is also the level of success of the change process,

The findings confirm the second hypothesis; There was found a negative correlation (r=-0,382) between the strength of culture and the success of the change process: the stronger the culture is, the success of the change process will be smaller.

If we now put in the results received for the moderators examined in this research, the findings will even become more significant and enable managers as well as scholars fine-tuning!

1, The stronger dissatisfaction with culture is the more eased is achieving success of the change process. It becomes even easier in more mature companies, with longer employees' professional experience, and with lower level of employees' education;

2. The stronger culture is the more difficult it is to achieve success of the change process, It becomes even more difficult in bigger companies, more mature,

with longer employees' professional experience and with higher of employees' education.

Managerial Consequences

If an organization is to understand its own strengths and weaknesses, as a part of its strategic decision-making process it must study and understand its own culture. The findings of the present study especially emphasize the importance and even the necessity of considering culture by the management in analyzing and managing organizational change. Managers must be particularly aware of the critical role culture's strength plays in their efforts to stimulate change when environmental forces make it necessary. Gaining a strong culture means getting useful glue binding all employees together and making them all stick to the company's way. One of the most central tools to give such power to any culture is by bringing the members of the organization to recognize and identify with the corporate mission, goals and functions. No doubt, it is a desired result every manager is looking for. But at the very same time the power of culture is definitely a primary source of resistance to change; the stronger the culture is the more difficult it will be to achieve success in the change process. Thus, a strong culture, managers worked obsessively to create within their organizations, may become sometimes a destructive one, as the power of the culture turned be a problem more than a source of strength. This difficulty caused by the culture strength to achieve successful change will increase whenever we deal with companies, which are bigger, more mature, employing professionals with longer experience, and with lower education level. Especially managers of companies With such characteristic should pay attention to the paradox of strong culture. While strong culture can contribute to organizational effectiveness acting as a stabilizing force, it

can also at the same time become increasingly dysfunctional, blocking an organization from making those required changes to adapt to the ever-changing environment. A culture that is an asset for a given company in one period is unavoidably a liability in another, and the stronger the culture is, the harder the change would be, since culture causes organizational inertia. How should managers deal with this paradox when they confront it? Willing to enjoy benefits of a strong culture without being hurt by its disadvantages, a very particular culture must be considered. The challenge lies in reshaping old cultural patterns, by conceptualizing a culture of innovation in which learning, adaptation, innovation, and perpetual change are the stable elements. This openness to evolutionary change has to become a central belief in the value system of a successful company. Building such a responsive and adaptive culture is the best way to institutionalize a real capability to adapt. Managers are examined today by their ability to create and to sustain such a culture whose strength comes not because of sticking to their present way, but because they tolerate changes and even seek for them.

It takes years to mould such a culture and big efforts to manage it afterward, but this is the most suiting type of culture for a climate of perpetual change. The most useful way to think about culture in the typical circumstances of our turbulent world is to view it as the accumulated shared learning of a given group. The basic assumption such culture should hold is that the appropriate way for humans to behave is to be proactive problem solvers and learners. Changing such a basic assumption hold by members of a certain culture involves challenging the identity of the organization, which means the deepest change the organization has to go through. Adopting such an approach is tough, risky, and a heavy time consumer, but if managed properly, it is due to lead to attempts to develop a learning organization that will be able to make its

own perpetual diagnosis and self-manage whatever transformations are needed as the environment changes.

Unlikely if the company has a strong, yet traditional culture, effort must be paid to change culture first, before any attempt to adopt odier organizational change. Such a change will be eased if managers consider dissatisfaction with the current situation as an essential tool to start breaking the status quo the organization is used to. Most mangers worry a lot about their employee's dissatisfaction, and tod few are aware of the contribution this dissatisfaction has to a successful change process since it increases the sense of urgency. If the old culture has supported people well for years they will be reluctaut to abandon it to embrace a new one. Real changes in direction may not become possible until the organization members experience serious survival difficulties and begin to communicate their dissatisfaction with the current situation. Unless something can be done to provide support for transitions from the old to the new, the force of the old culture can neutralize and emasculate a proposed change. Managers should encourage the feelings of dissatisfaction and these will motivate employees to collaborate on the change process and increase the prospect of success.

Change cannot be imposed on employees; they should be convinced in its necessity before collaborating with the management efforts to implement the change successfully. Therefore the change process can be accomplished with far better results if a sufficient level of dissatisfaction among employees is obtained. Managers should recognize the sources and level of dissatisfaction hold by employees at the point their organization has to change; it will make them more sympathetic to then resistance and better focused about which altitudes should be changed and how to manage it successfully. In other words, the managers as change-agents will gain this way a much

better perspective on the whole process. Such an approach will enable the managers' achieving two important goals at a time. They will be in a position to provide employees with the discontinuing information that initiate and induce the change process, and at the same time to provide enough psychological safety to get (hem accept the need for change and begin the traumatic learning process that is typically involved, The more mature the company is, the longer the professional experience of its employees is, the lower education level the employees have, the more important it is to invest in generating the proper level of dissatisfaction in order to achieve better results in the change process.

When managers get serious about change, they should recognize that to achieve change they would have to wrestle with their company's culture. They should know that successful companies have been able to maintain a competitive edge by building a culture that pays extremely close attention to the perpetual changes nowadays requires, If managers of today want to create organizational cultures that will themselves become more amenable to change they will have to set the example by becoming learners themselves. As a starting point they should first learn the culture of their organization and the satisfaction/dissatisfaction of their employees with the current situation,