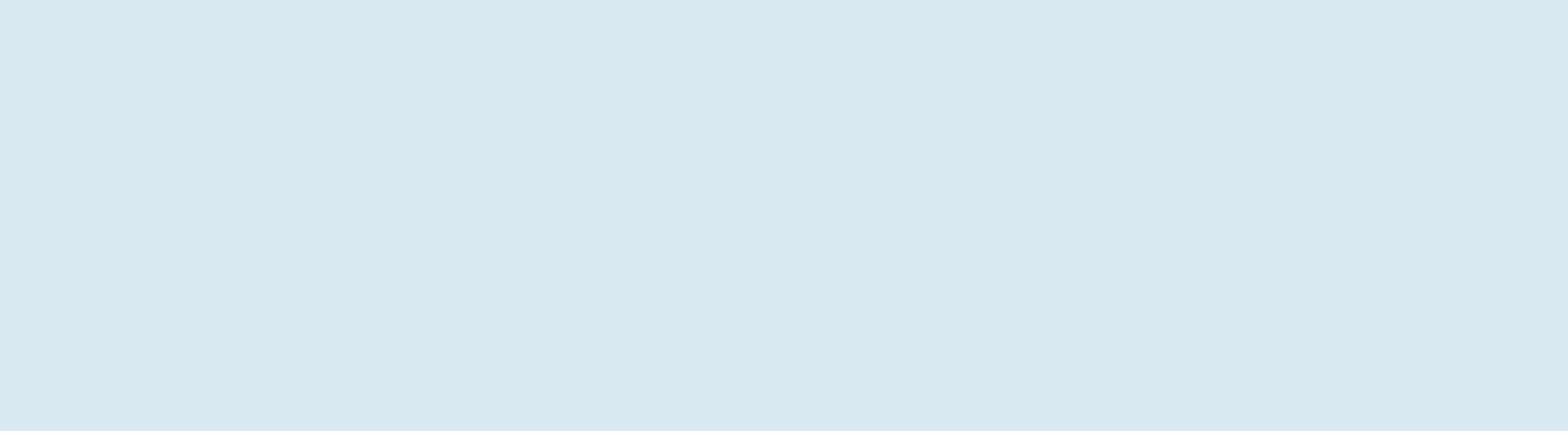


# Assessment, Evaluation, Improvement Success through Corporate Culture

Recommendations for the Practice



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# Preface

That a company's specific culture can contribute to its economic success has become a well-known maxim. Moreover, a number of academic surveys show which factors—and in which specification—are especially relevant for success. A great number of companies that achieved sustained success are proof of the link. As many companies spectacularly failed because they underestimated or even neglected the interdependence between culture and success.

Investment into corporate culture is “worth it,” say those, in particular, who have already successfully made such investments and would like to promote them further in the future. Yet such investments are usually connected with costs, be it HR development measures or expenses for work-life balance measures, be it that concepts of financial participation of employees are introduced or intensified, be it information campaigns to promote transparency within or outside the company, be it complex customer or investor relations programs, or be it commitment to non-profit projects to implement the social responsibility of the company.

Yet what tangible revenues, ideally visible on the balance sheet, are opposed to these costs? To what extent can the impact of “soft” factors, such as participative management, customer and shareholder orientation, continuity of leadership, the promotion of intrapreneurship, social responsibility etc. be empirically assessed and evaluated? Are there methods and indicators that do not just measure individual aspects of corporate culture, e. g. the human capital factor, but are based on a more holistic concept of corporate culture?

What are the chances but also the risks connected with this? And what are the consequences in terms of practically applying which-ever kind of a “corporate culture index” in the entrepreneurial daily routine? In what form can assessment models and tools be used as a kind of “early warning system” for atmospheric crises, which might, ultimately, threaten the economic success of an enterprise? When does the entrepreneur or CEO have to intervene and redirect in order to provide that the corporate culture continue to help guarantee the innovative force and thus also a high productivity of the company?

For beyond all assessments of visible and verifiable interdependencies between culture and economic success of a company one factor should not be overlooked: A measurement is only the description of a specific state. Ideally, data prove that the present state is an optimum. Normally, however, even in the “best” companies an assessment shows at least sporadic weaknesses and the need for improvement. From the entrepreneurial perspective, such an analysis must aim at determining potential for improvement and developing mechanisms to make sustained use of such potential:

- Is there, for example, the need for improvement in specific “individual disciplines”, or do specific values require consolidation through institutionalized processes?
- Can the results of assessments of corporate culture, and the corporate culture itself, lead to a change of the overall strategy of a company? Could corporate culture thus also initiate or promote change? Or, alternatively, hinder it, following the motto, “If everybody is satisfied, there is no need for change”—a “no go” argument against the innovative force necessary for a company. If it does so, how then to shape culture so that it promotes progress rather than hinder it?
- And how does this again impact the entire corporate culture? Can new strategies and/or structures lead to changing the existing culture; can perhaps even “parallel” cultures develop, which include instruments that, transferred to the original culture, might have a positive effect on the company as a whole?

The real work thus starts after the assessment, in line with late management guru Peter Drucker's dictum, “If you can't measure it—you can't manage it.” It is important to clarify that each assessment is already an intervention which raises expectations. To justify these is in the responsibility of a transparent management that has the courage to openly communicate positive as well as negative results or measures respectively.

Only a series of repeated assessments at different moments and changes implemented based on their results could show the development process and a dynamically developing corporate strategy and culture, which must harmonize flexibility and adaptability with a certain amount of stability and continuity. The willingness to



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change and innovative power require a kind of “permanent creative unrest” in the company. Yet this unrest is based on a range of value conformity and security for each employee and other stakeholders, which each company has to define for itself in order to provide that unrest is not perceived negatively or as a threat.

Against this background companies ought to find their own ways beyond academic insight and consultants’ advice. Individual companies already have highly complex but solid systems that can be pragmatically and flexibly applied to determine the link between their specific corporate culture and the economic success. Such instruments must be further developed and applied in a strategically meaningful way.

The “International Network Corporate Culture,” founded as a follow-up to the Carl-Bertelsmann-Prize 2003 by ten multinational Europe-based companies, dedicated its first working phase to this context. While the network dealt with the link between corporate culture and success, the Bertelsmann Stiftung commissioned a study to investigate existing international models that assess this link with a view to their practicability, relevance and set of criteria. The aim of the study, produced by Professor Dr. Sonja A. Sackmann, Bundeswehr University Munich, was to assemble best practice models. Major questions were: How broadly do they define the term corporate culture, and how relevant are they in practical terms. The pivotal point for understanding corporate culture was the 10 dimensions model defined by the Bertelsmann Stiftung for the Carl-Bertelsmann-Prize.

One of the most important results of the study was the insight that a direct connection between corporate culture and success can be established with the surveyed models. Yet only few practically relevant and operable models exist for companies to apply. Any kind of assessment requires that the aim be defined in advance.

This brochure accompanies Professor Sackmann’s study and provides an introduction into its objectives, methodology and results. In addition, it contains a survey of six selected models that address different objectives in assessment. A separate article is dedicated to

each model; the authors are either the author of the model themselves or representatives of the institution which practically applies the model. Practical examples illustrate the description.

We thank the authors for their articles as well as for their many other constructive contributions to the issues touched upon in this context. Special thanks go also to the members of the “International Network Corporate Culture” for their many impulses and suggestions from the entrepreneurial perspective.

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# Corporate Culture and Performance: Selected Methods for Assessing Corporate Culture

Sonja A. Sackmann

In the early 1980s, the concept of culture gained prominent attention by managers and organizational researchers alike. Faced with growing international competition, many firms were challenged in their home territory. Unfortunately, for several of them their proven and prevalent methods of management did no longer yield the results that were expected based on past experience. Studies of economically successful firms revealed that the soft factor called corporate culture seemed to be a major contributing factor to those firms' success. This continued to spur the interest in corporate culture with a desire to tap its inherent potential for one's firm. Hence, methods were developed to understand, assess, and change corporate culture in the hope for better performance and, ultimately, to regain competitive advantage. These hopes were frequently accompanied by managers' expectations of quick fixes, of gaining control of the corporate culture and of fast changes on the basis of a superficial understanding of the concept of culture applied to organizational settings.

The mechanistic treatment of corporate culture as the new panacea frequently led, however, to disappointing results in change efforts and many managers turned their attention to new management concepts and tools. Nevertheless, research in the area of corporate culture continued. The concept was further refined, its nature explored within the context of corporations and several methods were since developed for its analysis and its assessment in a specific corporate context.

The new interest in the concept of culture among managers is again grounded in the hope and assumption to have available an additional tool that helps ensure a firm's success. Several scholars have nurtured this hope in the recent past. The initial normative statements about the link between culture and performance have been increasingly addressed in empirical research with results that suggest that both direct and indirect links exist between culture and performance. Some of the earlier findings suggest that "strong" cultures have a positive effect on performance—predominantly but not exclusively—in the short run and that a firm's focus and people

orientation is positively related to performance. However, the way the concepts "strong," "culture" and "performance" are defined vary almost from study to study. Another set of studies suggests that externally-oriented cultures rather than strong cultures have a positive influence on a firm's performance. Other findings suggest that participative leadership has both direct and indirect influences on performance. Furthermore, flexible kinds of culture seem to influence innovation in a positive way and seem to be more adequate in fast changing environments as compared to more stable, inward oriented organizational cultures.

Unfortunately, most studies that investigate the link between culture and performance are not directly comparable because they use different kinds of culture concepts, different operationalizations of performance, and they investigate different kinds of firms, industries, and hierarchical levels. In addition, respondents are often not representative of the firm, and the research designs are mostly cross-sectional rather than longitudinal so that little information exists about the link between corporate culture and performance over time. Furthermore, most studies use correlations that do not give insight into the kind of direction of the influence between culture and performance. Does a "successful" corporate culture lead to excellent performance or does the success of a firm reinforce the existing corporate culture? Recently, some authors propose that the link between culture and performance may be reciprocal and may lead to positive as well as negative dynamics that are mutually reinforcing.

Despite all the difficulties associated with studying the link between corporate culture and performance and the related incompatibilities between these empirical studies we can conclude that direct, indirect and reciprocal links exist between corporate culture and performance. If managers and leaders want to make use of the inherent potential of corporate culture, they need to first understand what kind of culture they currently have before they can assess, in a second step, the respective strengths and weaknesses of their culture and which ones need further development.

A wide range of different methods nowadays exists for analyzing and understanding a specific corporate culture. 25 of them have been described, discussed, compared and evaluated with their respective strengths and weaknesses in an extensive review (Sackmann 2006). Depending on the method used, data is collected in regard to different kinds of components and levels of corporate culture with dimensions that are either surfaced as relevant ones from within an organization or that are introduced from the outside with an already existing questionnaire. And again, depending on the method, the resulting findings can be compared and benchmarked with other firms, they may yield detailed information about those issues that are considered relevant within the context of a firm, or they reveal those areas that need to be further developed in face of specific environmental challenges and for implementing the firm's strategy. In this booklet, we give an overview of those methods for culture analysis that seem to be most promising in regard to these three areas. They are

- existing questionnaires with established dimensions that allow benchmark comparisons with other firms such as the OASIS questionnaire, the Denison Organization Culture Survey and the Organizational Culture Inventory;
- methods that uncover those dimensions and characteristics that are considered relevant by a specific firm such as the Repertory Grid and the Concept Mapping-Pattern Matching. The latter one is based on the same theoretical foundation and takes the Repertory Grid technique one step further;
- methods that conduct an issue-focused analysis of a firm's culture in regard to those areas that need further development for enhancing the firm's competitiveness such as the Culture Assessment.

In case readers get interested and want to learn more about other methods as well, we suggest to read the more detailed review of 25 different tools and methods that have been used for analyzing and understanding corporate culture (Sackmann, 2006). This review describes and compares these 25 different approaches in regard to their primary purpose, the underlying concept of culture, the dimen-

sions and culture components that are assessed, the instruments that are used for data gathering, empirical findings in regard to performance indicators, the range of application of the instrument and the evaluation in terms of a method's strengths and weaknesses. In short, if you are interested to tap the potential of your corporate culture, there are many ways that help you to do the first step.

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# Corporate Culture for Economic Performance

Andreas Krafft, Stephan Roth

## Abstract

Plenty of experience made in the past years has shown that a link between corporate culture and performance does exist. The results from one of the few empirical studies, the OASIS program (OASIS = Organization and Strategy Information Service), show an attestable link between individual cultural elements and relevant indicators of corporate performance (e.g. ROI). This article wants to present the results of the OASIS study and use them to recommend actions directed at a better and more profitable design, management and development of a specific organization.

## Background

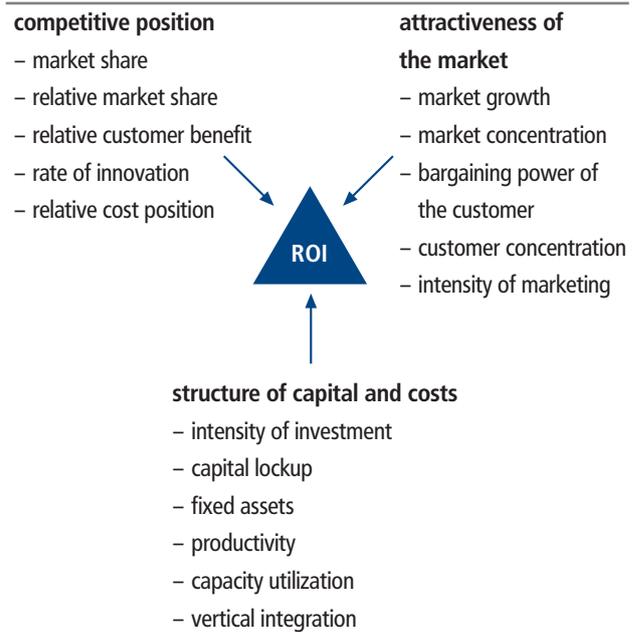
Strategic management has to guarantee an organization's viability against the background of the opportunities, limitations and conditions of the market. In their strategic actions the managers in charge have to establish the best possible fit between organization, corporate culture and the desired strategic objectives. Despite the amount of literature written in the past years on the link between organization, corporate strategy and performance, the results of the majority of these studies were limited to the theoretical level. Pro-found empirical studies in this field are scarce.

Most notably, the PIMS program (PIMS = Profit Impact of Market Strategy; PIMS Europe Ltd. & Malik Management Zentrum St. Gallen) describes the link between corporate performance and the market and competitive environment as well as other influencing factors. Based on extensive longitudinal data from currently 3,500 empirical studies, it describes the link between an enterprise's strategic variables (or a strategic business unit) and the realization of corporate objectives by means of statistically reviewed regularities (input, output relations).

The three most important strategic determinants of corporate performance that emerged are:

- Competitive position (market share, relative market share, relative customer benefit, rate of innovation, relative cost position),
- attractiveness of the market (market growth, market concentration, bargaining power of the customers, customer concentration, intensity of marketing),
- structure of capital and costs (intensity of investment, capital lockup, fixed assets, productivity, capacity utilization, vertical integration).

## PIMS research model on variance analysis of profitability (e.g. ROI)



ROI = results before interest and taxes relating to investment  
Investment = cash + inventory + debts receivable + net fixed assets - liabilities

Figure 1

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Using the PIMS model, the following research results could be attained on the basis of the currently available database:

- About 30 core performance factors that are relevant for a business unit's results have been elaborated.
- Given equal configuration of the core performance factors for two strategic business units (SBUs) their results are similar, irrespective of the kind of product the units produce and the kind of industry they belong to.
- The impact of the core performance factors differs with regard to its interaction with the performance data.
- The PIMS method uncovers regularities of the market that are not only valid for a specific sector of industry but are of an overall validity.



On the basis of the data analyses the participating enterprises find answers to four essential questions:

- What are the strategic factors that explain the different profitabilities between the strategic business units surveyed?
- Which profitability can the surveyed strategic business realistically expect?
- How does profitability react to changed strategies or market conditions?
- How can reasonable business objectives be established on the basis of the experience made in other strategic business units?

Yet strategic performance factors explain “only” 70–80 % of the differences between the corporate performances of two SBUs.

Although the PIMS study shows an amazingly high potential to explain corporate performance on the basis of an enterprise’s market and strategy data, it stands to reason, given the numerous study results, that organizational variables be integrated in an extended explanatory model to secure the best explanation of performance possible.

For this reason the strategic studies were backed by additional organizational studies that focus on an organization’s internal factors like organizational design, Human Resources systems, management and corporate culture.

### Development of the OASIS Program

As a reaction to the need to better understand how the implementation of a corporate strategy could be successfully organized and implemented, the OASIS program (OASIS = Organization and Strategy Information Service; University of Michigan, Hay Management Consultants, Strategic Planning Institute) was started in 1984. In early 2000, PIMS Europe Ltd. continued the OASIS program, and since 2005 the program has been further developed for research and consulting purposes at the Malik Management Zentrum St. Gallen.

OASIS is a longitudinal study that, for a number of years, has collected comprehensive data on market environment, strategy and organization at the level of strategic business units and then analyzed this data according to its interaction with and impact on various performance parameters of an enterprise. OASIS has

## OASIS research model for variance analysis of corporate performance

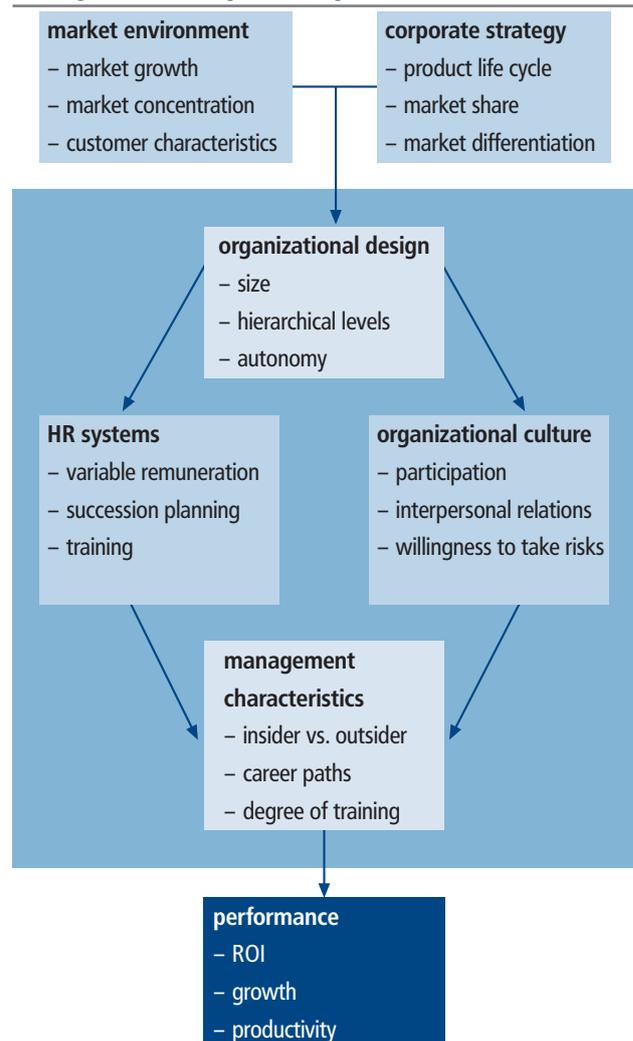


Figure 2

collected data on different strategic business units from different sectors of industry and is continuously developed to present ever more specific and precise interdependencies.

An optimized research model was developed on the basis of comprehensive analyses of the data material (see figure 2).

To analyze the impact the four organizational variables (organizational design, HR systems, organizational culture, management characteristics) have on corporate performance we use the deviation from the expected return on investment (ROI): The deviation from the expected ROI is defined as the difference between the ROI forecast by the model and the actual ROI—calculated on the basis of the PIMS factors. We can thus examine the impact of the organizational variables separately and cleared of the effects that are explained by the market environment and the corporate strategy.

### Practical Results

In the following, we will present some interesting results from the analysis of the individual organizational factors: The size of the enterprise, the number of hierarchical levels in an organization, the share of variable remuneration against total income, the relation of “insiders” and “outsiders” in management and relevant factors of corporate culture are all assessed with regard to their impact on profitability.

### 1. Organizational Design

It should be a surprising result for the advocates of the “small is beautiful” formula that medium-sized enterprises (1,500 to 5,000 employees) usually are the most profitable—if you use the PIMS factors for the performance forecast (see figure 3).

This result is comprehensible if you bear in mind that smaller and medium-sized enterprises are mostly organized with less bureaucracy due to their usually smaller number of hierarchy levels and are thus subject to fewer political intrigues within and between organizational levels. Still, the highest profitability would be expected for small enterprises (<1,500).

## Medium-sized enterprises are the most profitable.

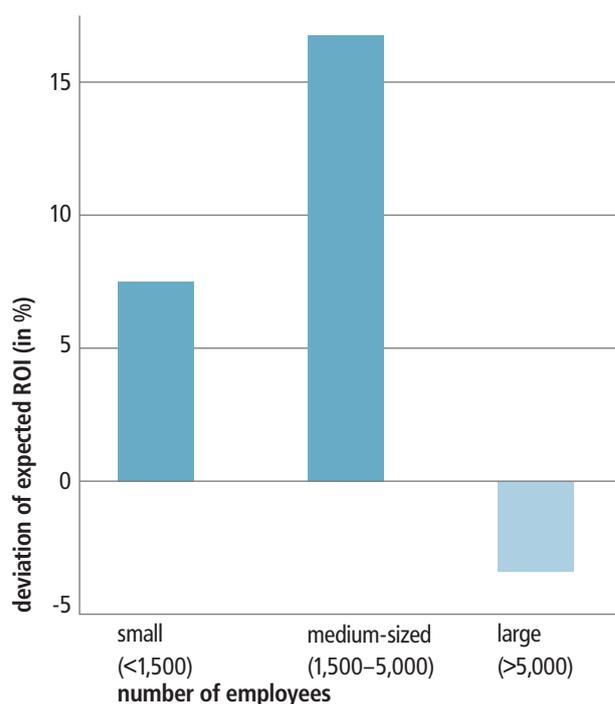
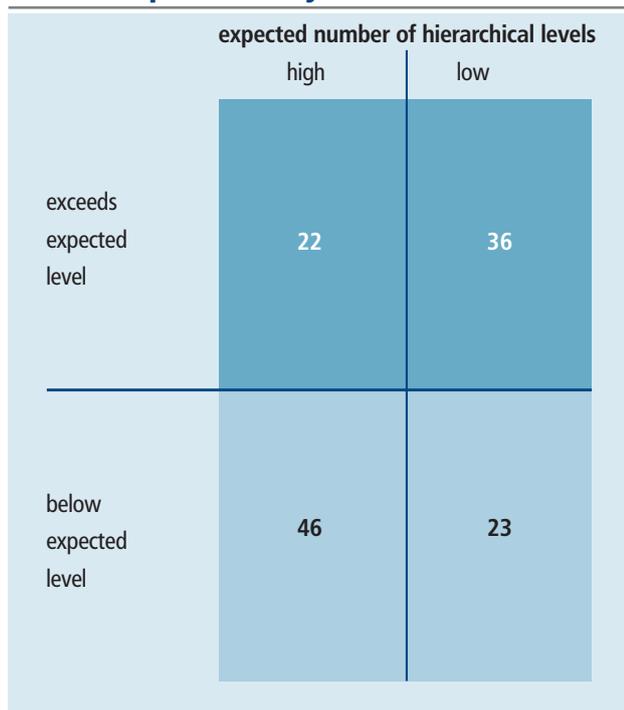


Figure 3

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These effects become more apparent when you look at the impact of hierarchy levels on the performance of the business units surveyed and try to find out whether they exceed or fall short of the number of expected hierarchy levels (see figure 4). The number of hierarchy levels is defined here by empirically collected mediums on the basis of all survey data from the PIMS data pool. The results show that large enterprises are most profitable when they fall short of the expected number of management levels; for smaller enterprises the effect is vice versa: There, managers have greater influencing capabilities and are subject to excessive management challenges during times of rapid growth; the organization is lagging behind the need for more structure in terms of an effective organization. An above-average structuring allows a better adjustment to such situations.

### Impact of number of expected hierarchy levels on profitability



ROI (in percent)

Figure 4

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### Impact of variable remuneration on profitability against product's life cycle

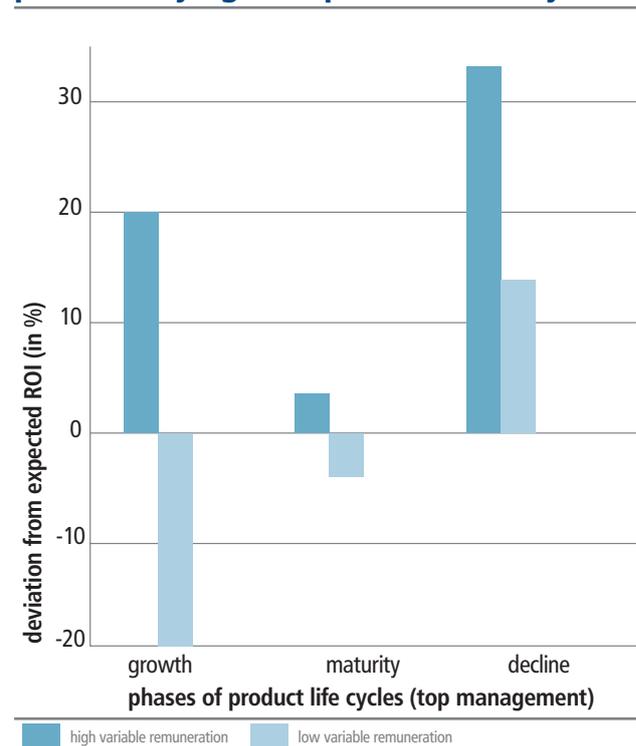


Figure 5

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## 2. Human Resources Systems

If you look at the share of variable remuneration against the total income across the three highest levels of top management, the analysis shows that the average top manager receives 30% of his/her total income as variable remuneration. On average, it is 20% at the second management level and an average 10% at the third level. Depending on the state of the product's life cycle (differentiated by phases of growth, maturity and decline) the analyses show significant impact on corporate profitability. The strongest effects are visible at the top management level: Business units that exceed the profit expectations show an above-average level of variable remuneration for their top management, although only at

the beginning and end of the product's life cycle (see figure 5) where such a remuneration is necessary to retain the best and most skilled managers in the enterprise and motivate their overachievement.

## 3. Management Characteristics

With regard to the impact of the relation of "insiders" versus "outsiders" on an enterprise's profitability it is again helpful to have a look at the state of the product's life cycle.

Enterprises that are situated in a growth market are more profitable than their competitors when they recruit more than 20% of their managers in the top-three levels from outside of the organization. This is explained by the fact that outsiders are more willing than

long standing employees to develop new ideas on top of the already existing alternatives; this constitutes a decisive competitive advantage in turbulent markets. During a phase of decline it is also an advantage to recruit a high number of external managers into the enterprise: Insiders have the tendency to ignore the obvious need for change; they remain bound to their conventional strategies and practices that are of little effect in this phase. Newcomers are willing to question traditions and muster the necessary willingness to take risks. Only during the maturity phase is it best to have less than 20% of outsiders. In this phase there is little need to change existing technologies and strategies. Enterprises that retain their know-how and their core competences during this phase of maturity, i.e. that employ a high share of insiders, enjoy a competitive advantage here (see figure 6).

#### 4. Organizational Culture

The OASIS organizational culture model analyzes the perception of the collective management (top-3 level managers) of the current and the desired corporate culture and links it with the deviation from the expected ROI. Eight cultural factors are analyzed on the basis of 33 items: Management, interpersonal relations, information and communication, performance and result orientation, adjustment to the environment and willingness to change.

The results show a clear impact on profitability across all cultural factors (see figure 7). Particularly for factors where strong cultural differences have a strong negative impact on profitability (here e.g. adjustment to environment, credible shared information) can we easily deduce the need for organizational development measures. But caution is needed: These results have to be thoroughly interpreted against the background of the specific corporate situation and business strategy. Measures aiming at a higher willingness to take risks and more dynamic behavior of managers will be rather counterproductive on corporate performance in phases of product maturity. For phases of transition and change experience tells us that professional confidence management is a co-determinant for good performance.

### Impact of outsiders on profitability depending on the product's life cycle

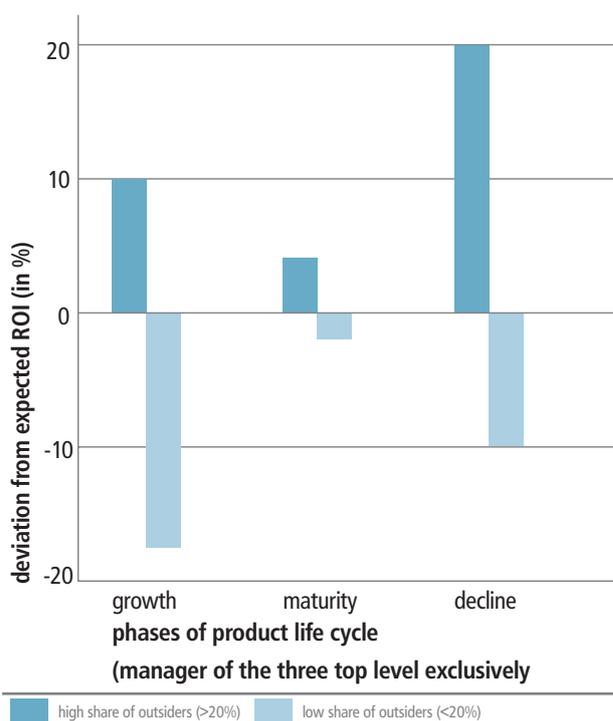


Figure 6

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### Conclusion and Outlook

The remarks on the OASIS program and its findings show that there are significant and highly interesting links between an enterprise's strategy, culture and performance. Combined with the extensive strategic PIMS database we have a powerful tool to plan a successful organizational change. The continuous further development of OASIS will provide even better safeguards for the present results and enable the users to optimize their actions more specifically and effectively.

OASIS could generate an increased added value when combined with the Repertory Grid (long standing application by Malik Management Zentrum St. Gallen): As a first step the OASIS tool (standardized procedure) provides the empirical base for a focus on

## The difference between current and desired culture has an impact on profitability.

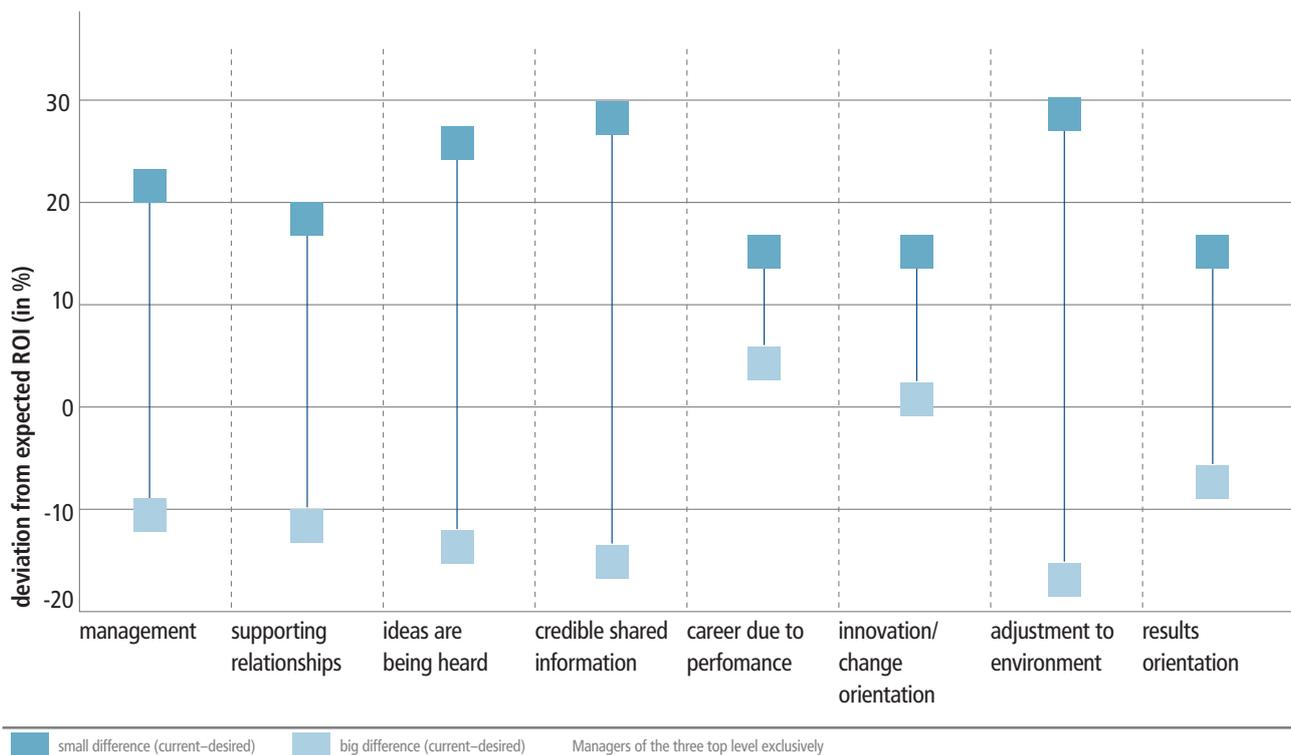


Figure 7

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the performance-critical factors of the strategy implementation process. As a second step the Repertory Grid (procedure with open content) would provide a more detailed analysis of the enterprise-specific framework conditions and prerequisites for an effective development and change—particularly at the organizational level. The Repertory Grid helps to better understand the dynamic aspects (past, present and future). With the Repertory Grid more specific and particularly relevant aspects for a respective enterprise can be collected and discussed in addition to the OASIS criteria. Yet in order to be effective the procedure can also be carried out reversely: First, the Repertory Grid works out the relevant enterprise-specific cultural aspects, and then the OASIS tool does an empirical analysis of their impact on the enterprise's performance.

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# Linking Organizational Culture and Business Performance: A Brief Overview

Daniel R. Denison

Defining organizational culture is a tricky business. Many definitions of culture focus on aspects of an organization's values, behaviors, and basic assumptions that have little to do with performance issues. Our approach (Denison 1984; 1990; Denison & Neale 1993; Denison & Mishra 1994; Fisher and Alford 2000; Denison, Haaland & Goeltzer 2004; Denison, Ward & Lief 2004) has focused specifically on those aspects of culture that have the greatest impact on business performance. This brief chapter describes our approach to diagnosing cultures. This approach has been applied by over 6,000 different organizations, of all sizes, industries, countries and in many different languages all around the world. It represents one of a small number of approaches currently available that allow organizations to measure and monitor culture. The model focuses on a set of factors, supported by a long history of research, that appear to have a direct influence on business performance. This approach is primarily used by organizations that are trying to change their cultures and improve their performance.

The organizational culture model that is the focus of this paper is based on four cultural traits that have been shown in the literature to have an influence on organizational performance: Involvement, consistency, adaptability, and mission (Denison 1990; Denison & Mishra 1995; Gordon & DiTomaso 1992; Kotter & Heskett 1992). Each of these traits is measured with three component indexes, and each of those indexes is measured with five survey items. This section of the paper discusses each of those four traits and provides an overview of the model and definitions of the key concepts and indexes. A graphic version of the model is presented in Figure 1.

## Involvement

The research literature has shown that effective organizations empower their people, build their organization around teams, and develop human capability at all levels (Block 1991; Katzenbach & Smith 1993; Lawler 1986; Spreitzer 1995; 1996). Organizational members are committed to their work and feel a strong sense of ownership. People at all levels feel that they have at least some input into decisions that will affect their work and feel that their work is directly connected to the goals of the organization. This allows high involvement organizations to rely on informal, voluntary and implicit control systems, rather than formal, explicit, bureau-

cratic control systems. In the model, this trait is measured with three indexes:

- Empowerment: Individuals have the authority, initiative, and ability to manage their own work. This creates a sense of ownership and responsibility toward the organization.
- Team orientation: Value is placed on working cooperatively toward common goals for which all employees feel mutually accountable. The organization relies on team effort to get work done.
- Capability development: The organization continually invests in the development of employees' skills in order to stay competitive and meet on-going business needs.

## Consistency

The literature has also shown that organizations are effective when they are consistent and well integrated (Saffold 1988). Behavior is rooted in a set of core values, leaders and followers are skilled at reaching agreement and incorporating diverse points of view, and the organization's activities are well coordinated and integrated (Gordon & DiTomaso 1992; Martin 1992; Schein 1992; Treacy & Wiermsa 1995). Consistent organizations develop a mindset and create organizational systems that build an internal system of governance based on consensual support. These implicit control systems can be a more effective means of achieving coordination and integration than external control systems that rely on explicit rules and regulations. These organizations have highly committed employees, a distinct method of doing business, a tendency to promote from within, and a clear set of "do's" and "don'ts." This type of consistency is a powerful source of stability and internal integration. In the model, this trait is measured with three indexes:

- Core values: Members of the organization share a set of values which create a sense of identity and a clear set of expectations.
- Agreement: Members of the organization are able to reach agreement on critical issues. This includes both the underlying level of agreement and the ability to reconcile differences when they occur.
- Co-ordination and integration: Different functions and units of the organization are able to work together well to achieve common goals. Organizational boundaries do not interfere with getting work done.

## The Denison Organizational Culture Model

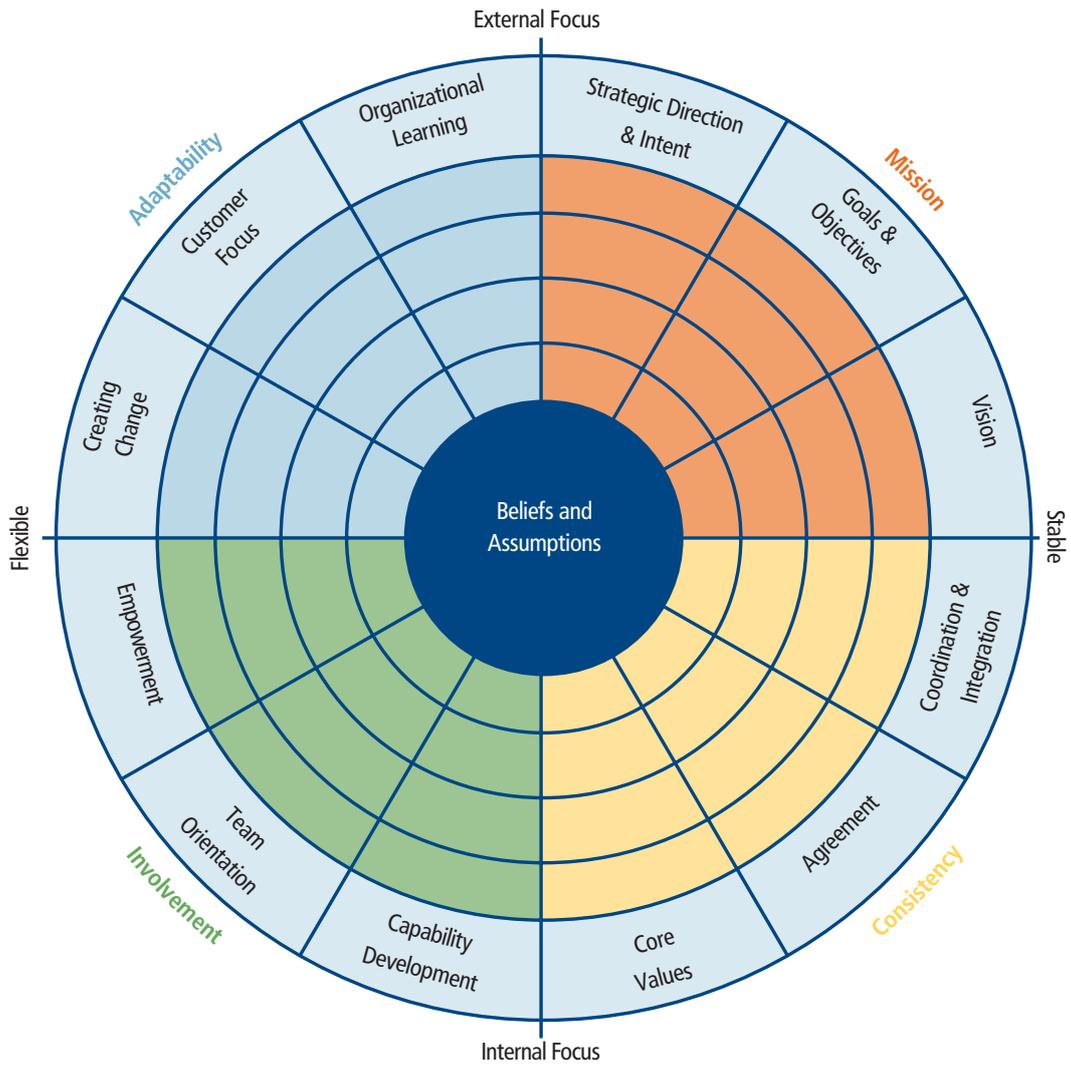


Figure 1

## Adaptability

Despite some of the natural advantages of well-integrated organizations, they can also be the least adaptive and the most difficult to change. Internal integration and external adaptation can be at odds (Lawrence & Lorsch 1967). Adaptable organizations translate the demands of the organizational environment into action. They take risks, and learn from their mistakes, and have capability and experience at creating change (Katz & Kahn 1978; Kotter 1996; Senge 1990). They are continuously improving the organization's ability to provide value for its customers by creating a system of norms and beliefs that support the organization's capacity to receive, interpret, and translate signals from its environment into internal systems that increase the organizations chances for survival and growth. Organizations that are strong in adaptability usually experience sales growth and increased market share (Denison & Mishra 1995). In the model, this trait is measured with three indexes:

- **Creating change:** The organization is able to create adaptive ways to meet changing needs. It is able to read the business environment, react quickly to current trends, and anticipate future changes.
- **Customer focus:** The organization understands and reacts to their customers and anticipates their future needs. It reflects the degree to which the organization is driven by a concern to satisfy their customers.
- **Organizational learning:** The organization receives, translates, and interprets signals from the environment into opportunities for encouraging innovation, gaining knowledge, and developing capabilities.

## Mission

Successful organizations also have a clear sense of purpose and direction that defines organizational goals and strategic objectives and expresses a vision of what the organization will look like in the future (Hamel & Prahalad 1994; Mintzberg 1989; Selznick 1957). A mission provides purpose and meaning by defining a social role and external goals for the organization. It provides a clear direction and goals that serve to define an appropriate course of action for the organization and its members. A sense of mission allows an organization to shape current behavior by envisioning a desired future state. Being able to internalize and identify with an organization's

mission contributes to both short and long-term commitment to the organization. In the model, this trait is measured by three indexes:

- **Strategic direction and intent:** Clear strategic intentions convey the organization's purpose and make it clear how everyone can contribute and "make their mark" on the industry.
- **Goals and objectives:** A clear set of goals and objectives can be linked to the mission, vision, and strategy, and provide everyone with a clear direction in their work.
- **Vision:** The organization has a shared view of a desired future state. It embodies core values and captures the hearts and minds of the organization's people, while providing guidance and direction.

## Tensions and Contradictions

Like many contemporary models of leadership and organizational effectiveness, this model has focused on a set of tensions or contradictions (Denison, Hooijberg, & Quinn 1996; Quinn & Cameron 1988). For example, the trade-off between stability and flexibility and the trade-off between internal and external focus are the basic dimensions underlying the framework. In addition, the diagonal tensions in the model are also important to understand. Internal consistency and external adaptability represent a well-known tension in organizational theory (Lawrence & Lorsch 1967), while mission and involvement point to the inevitable tensions between top-down direction and bottom-up influence.

At the center of this model in the graph in Figure 1 is underlying beliefs and assumptions. This addition to the model is in recognition of the fact that the "deeper" levels of organizational culture (Schein 1992) are difficult to measure using comparative methods. Nonetheless, they provide the foundation from which behavior and action spring. Beliefs and assumptions about the organization and its people, the customer, the marketplace and the industry, and the basic value propositions of the firm create a tightly knit logic that holds the organization together. Values and behavioral norms are linked to these underlying assumptions, but it is far more difficult to make comparative generalizations about the underlying assumptions than it is to make generalizations about organizational cultures at the level of values and behavior.

None of the four cultural traits are unique to the model presented in this paper. All of the concepts were developed through a series of qualitative and quantitative studies focusing on the cultural traits of organizations that appear to influence their performance and effectiveness. This set of concepts is also well represented in the broader literature on organizational theory and organizational behavior. The organizational culture model serves to integrate these concepts, develop a set of valid measures, and then apply them as a basis for a diagnostic process.

### Case Example: A Manufacturing Company in Decline

To apply this diagnostic method, the members of an organization respond to sixty survey questions, answering five items for each of the twelve indexes in the model. Next, we present a brief example of the application of this approach to a one-hundred year old manufacturing company that is currently in decline.

This organization manufactures a durable goods product that is sold through an independent retail network. The distribution network itself is consolidating and the company faces real “buyer power” for the first time. It has dominated its industry for years, but it now faces a new type of competition that seriously undercuts its products on price. Although business has been declining for the past five years, this past year was the first time that the senior executives did not receive their bonuses.

A culture profile of the top management team is presented in Figure 2. The data for this profile came from a survey of the top 50 people in the organization. As noted above, each index is measured by five survey items, which are averaged to produce an index score. The results are presented in terms of percentile scores, benchmarking the organization against over 700 organizations. The percentile score is the percentage of organizations in the benchmark data base that scored lower than this organization.

Examination of the culture profile of the management team reveals some key organizational problems: All of the measures of adaptability are poor: Learning and creating change fall in the first quartile and customer focus falls in the second quartile. The only strength

in the area of mission is the operational focus on goals and objectives, indicating that there is little long term vision or strategy. Involvement is also low, showing strengths only in the area of team orientation. The only real strength that appears in this profile is in the area of consistency, with the only top quartile score being in core values.

When the top management team looked at this profile, there was a long silence. “What does this profile tell you about your organization?” the consultant asked. After a long silence, one of them replied, “We’re a team alright—but we are going down together!” “Yeah, that’s us,” said another. The core values that held the group together were well suited to the organization’s past, but not necessarily to their future. The management team also quickly linked other aspects of the profile to their situation—the emphasis on operational issues in the mission area reflected the President’s “mail room to board room” career path and the relative neglect of longer-term strategic issues. When asked about the team orientation data one of the managers chuckled and said, “Well I guess that all of those teams that we put in place aren’t working very well yet.” They had created teams, but they had yet to change the way that work was actually done.

Looking at this culture profile brought together a number of different symptoms of the organization’s decline and linked them to the behavior of the top management team. Their tendency to ignore the customer and the competitive environment and reason from the “inside-out”—taking the internal functioning of the organization as a given and wondering why no one bought their products anymore—also came through strongly in this analysis. The analysis also hit home with regard to their tendency to have short term goals and objectives as their only real source of direction and to try to implement their strategy without a high level of involvement from the organization’s members.

The analysis also made it quite clear that the behavior of top management was at the center of many of these problems. Since the research has shown that internally focused companies do not grow, the analysis also made them more aware that they were unlikely to solve some of their most basic problems without a

## Culture profile of a one-hundred year old manufacturing company

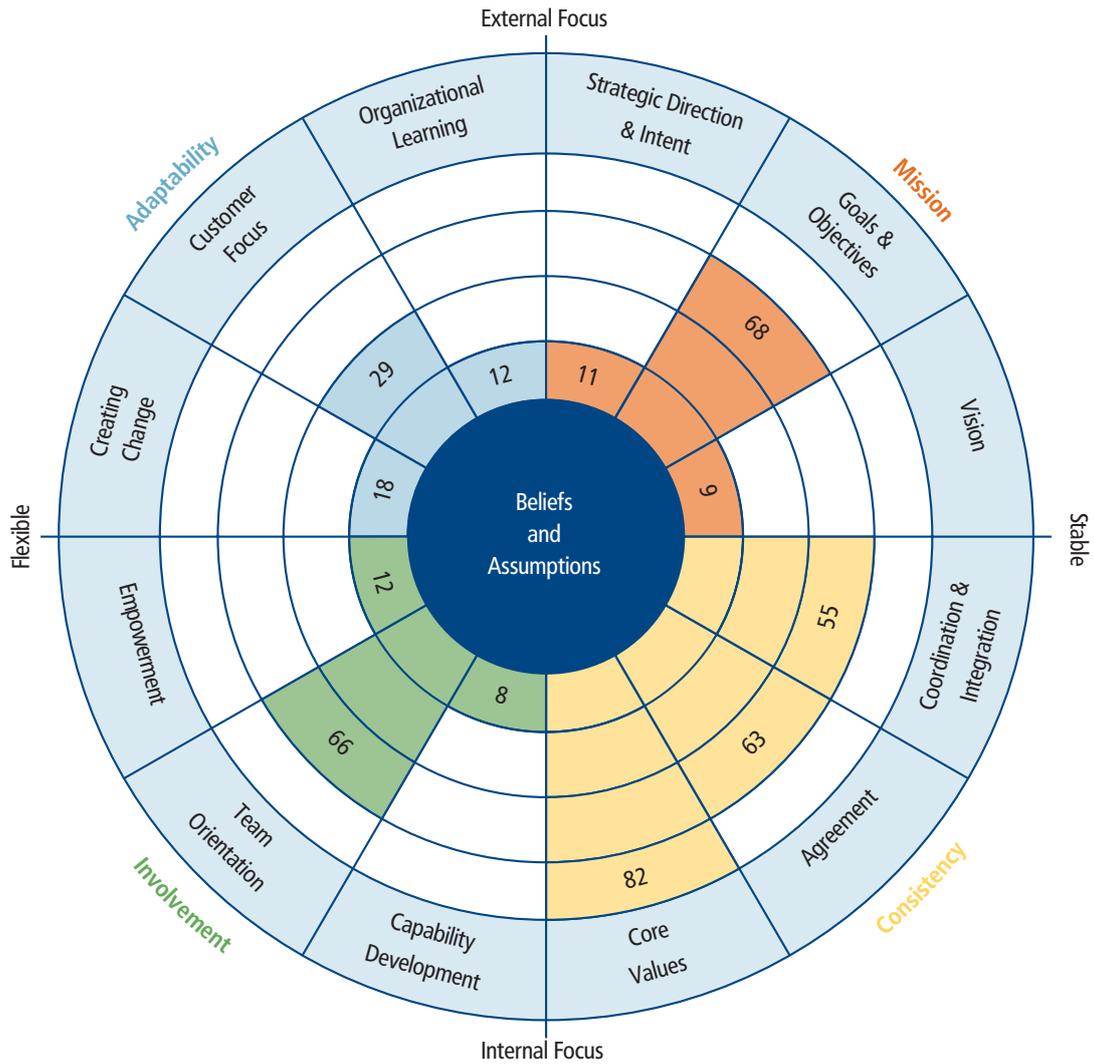


Figure 2

change in the behavior of their leaders. This analysis also made them aware of how few of the organization's leaders had the skill set that was needed to improve the situation. As a result, they began using the dimensions in the model as criteria in their leadership development process. Three years later, they have improved, changed the focus of their business, and continued to use the model and their data as a point of reference for their change process.

For more information on this approach, please visit our website at [www.denisonculture.com](http://www.denisonculture.com).

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# Organizational Culture Inventory

## Taking Advantage of Culture as Driving Force behind Successful Change

Christian Schuster

In the early 80s, Prof. Dr. Robert A. Cooke, today Professor emeritus of the University of Illinois, Chicago, developed and implemented together with Dr. J. Clayton Lafferty and Human Synergetics the Organizational Culture Inventory (OCI)<sup>®</sup> in order to analyze corporate cultures and stimulate processes of change. The OCI helps to work out criteria that distinguish successful from failing organizations. Cooke implemented his vision of leading organizations to success in several ten thousand companies worldwide.

### The Change-Oriented Approach of Human Synergetics

The OCI defines corporate culture as the sum of all moral concepts reflecting direct and indirect behavioral expectations. It measures the culture of an organization on a scientific basis. The central question of the OCI is: "How must an employee behave in order to match the company and meet the expectations?"

The core of the approach is the circumplex that demonstrates behavioral expectations in twelve categories in an easy understandable and practicable way (see Figure 1).

The circumplex describes which behavioral expectations are relatively typical for the company, meaning in comparison to other organizations. The thicker of the concentric circles shows the average. Supported by other tools the depiction may also be used for the evaluation of mindsets and management style as well as team cultures and customer service behavior.

### The Meaning of the Circumplex Segments

Many offices or professional fields which are dominated by commercial employees are characterized by a green culture (passive/defensive). Decisions are made through personal adoption (3–approval), stubborn pursuance of antiquated guidelines (4–conventional tradition), implementation of individual superior orders without reflection (5–dependency) or complete refusal of taking over responsibility (6–avoidance). The result is stagnation and the incompetence to launch reforms.

Aggressive/defensive (red) behavioral expectations are often created by old-fashioned managers concentrating on corporate affairs alone. To analyze and question colleagues and employees as well as

their decisions in detail (7–oppositional behavior), to play the tough guy (8–power), to demonstrate superiority (9–competition) and not to accept any inadequacy (10–perfectionism) are values that bring short-term results but do not promote sustainable growth of a company. Here stress and decisions are dominating that are mainly based on status than on competence and involve more conflicts than cooperation.

Constructive cultures (blue) consider human components, on the one hand, and the objective corporate targets, on the other hand. They are able to meet the requirement of self-fulfillment, which is of higher importance according to Maslow's pyramid of needs. Individually elaborated goals are consistently achieved (11–achievement), the job brings joy and satisfaction (12–self-actualization), colleagues and employees are unselfishly supported (1–humanistic-encouraging) and satisfaction within the team plays a major role–based on a healthy conception of man (2–affiliation).

The styles of this segment lead to the success of the whole organization, support synergies in cooperation and explain why certain human beings, teams or organizations are particularly excellent and able to develop further.

There are also connections between the styles. For the group of finance services the combination of 10 o'clock and 4 o'clock is very typical, which works in mutual intensification (the expectation to implement all guidelines fastidiously and with unreasonable perfection). Sales people often have highly distinctive styles, 3 o'clock and 9 o'clock (approval–competition).

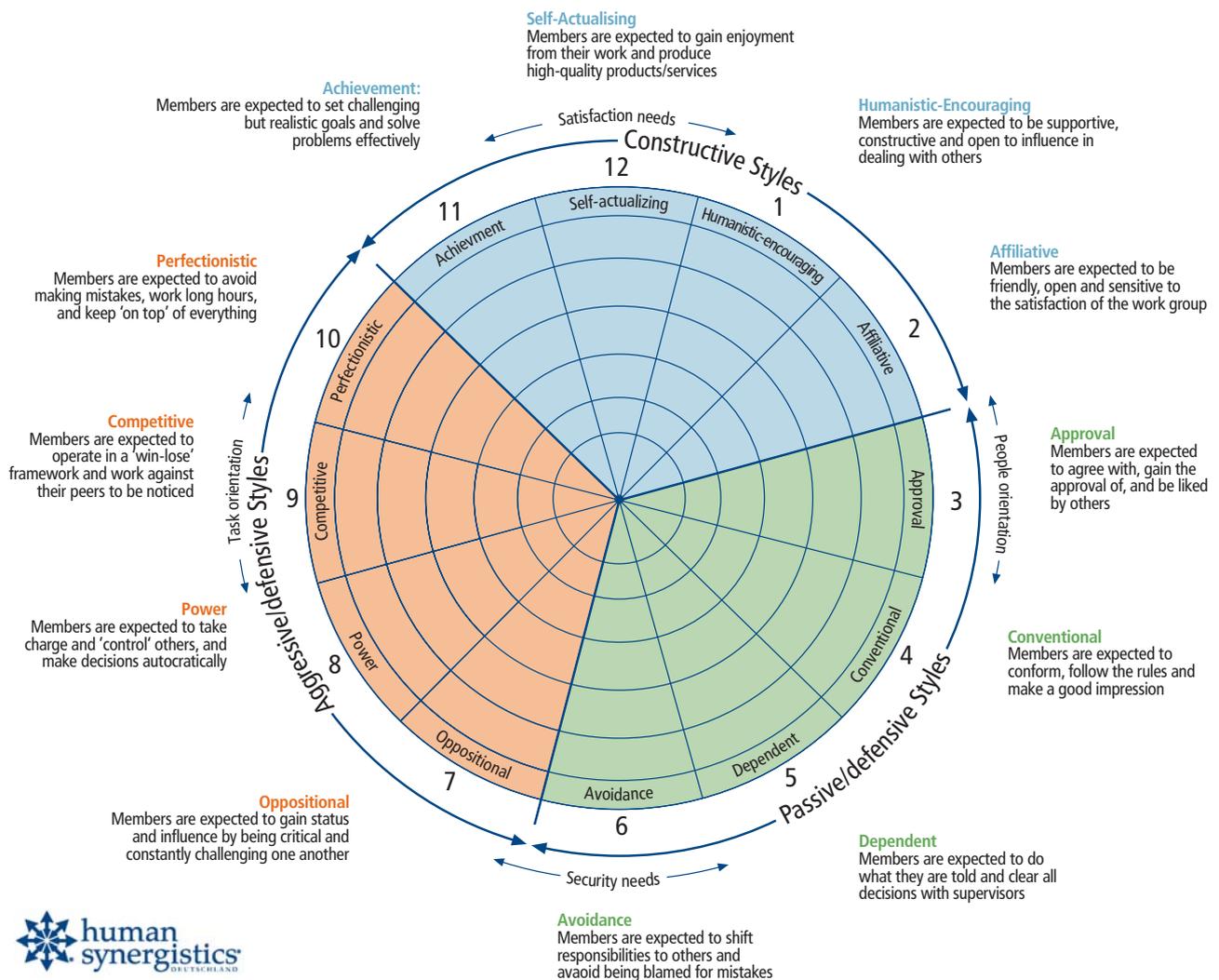
### Organizational Change based on Clear Facts: Implementing the Model

The OCI was developed in an academic environment but was then excessively put to corporate practice without any limitation on companies of a certain size or certain field. With two million implementations worldwide, the tool is surely one of the most applied approaches of cultural analysis.

The aim is to support organizational or change consultants in organizing sustainable corporate change. Managers and their employees will thus get a better understanding of mental and



## The Circumplex: 12 expectations towards employees



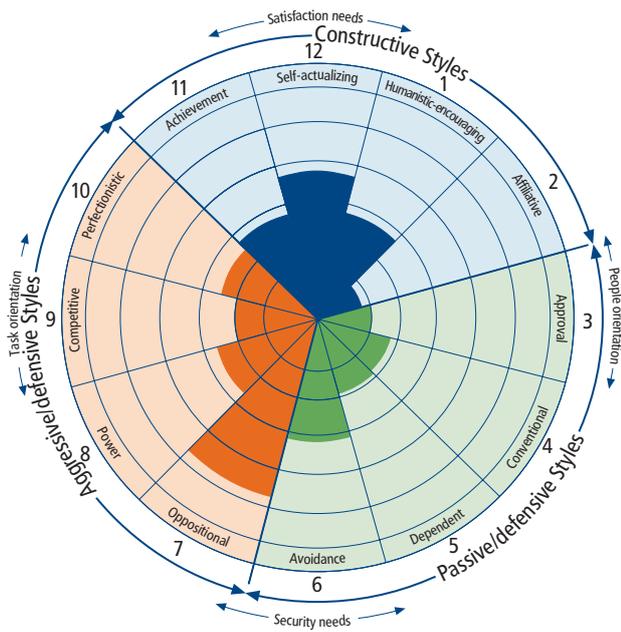
Source: human synergistics

Figure 1

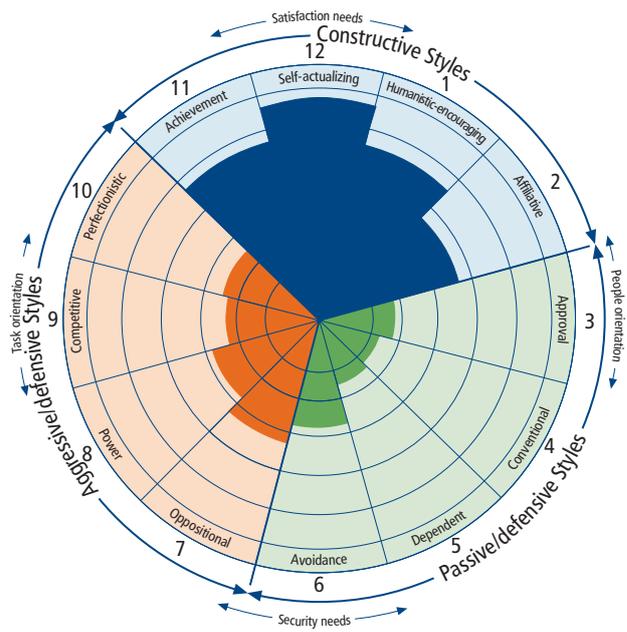
Bertelsmann Stiftung

## OCI: Current vs. desired culture

### Current culture

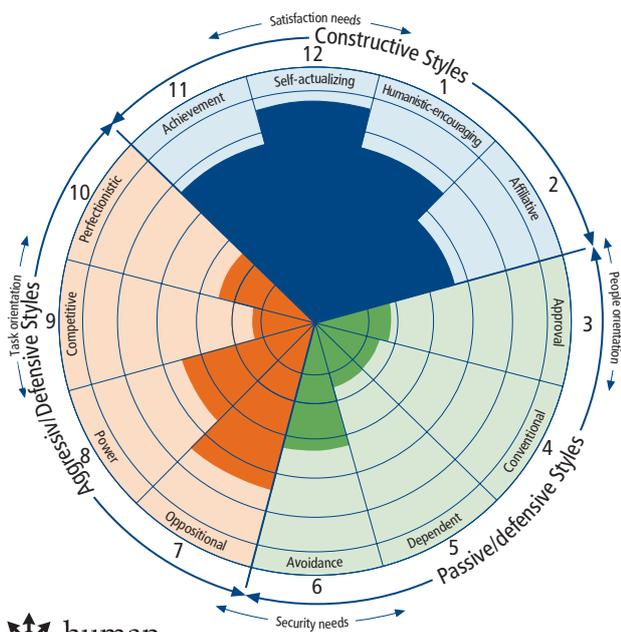


### Desired culture

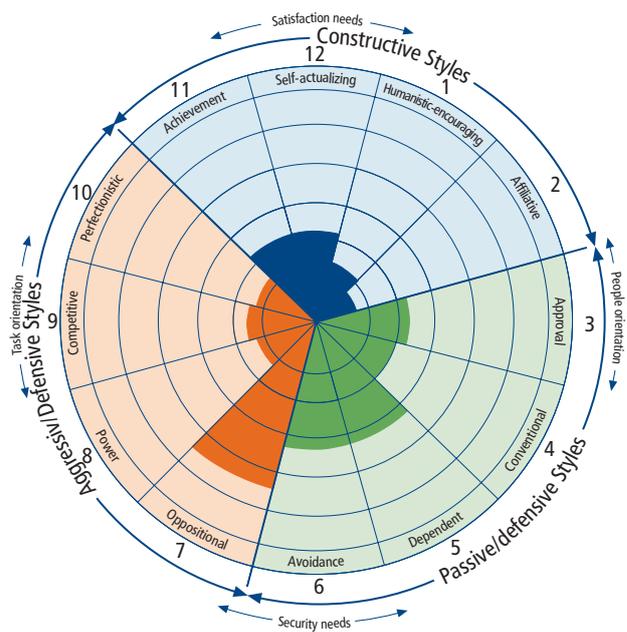


## OEI: Examples of constructive and defensive cultures

### Constructive team



### Defensive team



behavioral styles that are expected and promoted within their organization. Furthermore, it is demonstrated how they concretely differ from a clearly defined objective. Decision-makers often know that a change is required.

### Basic Democracy which is None: The Approach

The OCI is a confidential opinion poll for employees. The questionnaire consists of 120 questions usually completed by each participant via internet and, when requested, also per printed questionnaire. The results of all persons questioned are summarized and reflect the current culture of the organization. Each question is assigned to one of the 12 cultural styles as follows, e.g. performance: "... To set adequate goals"; agreement: "... To be loved by everyone"; competition: "... Never appear like a loser."

Apart from the current culture, the desired culture is also considered. In a further questionnaire the same questions are asked, however to establish the impact of the individual behavior that is expected and to be promoted in the ideal case in order to maximize the employees' productivity. The results are compared with the current culture and, as a consequence, cultural reform targets will be derived from this comparison. In most cases consultants who are familiar with the approach often involve qualitative procedures like focus groups or interviews (see Figure 2).

### To Identify Concrete Factors for Change

In the operational practice, the OCI is normally complemented by the Organizational Effectiveness Inventory (OEI)<sup>TM</sup> by Human Synergistics.

The OEI is similar to a typical opinion poll for employees and aims at demonstrating the causes of defensive cultures (red or green)—an information that vice versa may be used to achieve the reform objectives agreed upon. Additionally, the OEI measures 12 factors which present the results of the culture, such as e. g. employee satisfaction, teamwork or product quality from the employees' point of view.

Some reform forces:

- Structures, such as e.g. distribution of influence, participation of employees;
- Systems, such as e.g. training and further education, target systems, treatment of performances/mistakes;
- Characteristics of tasks, such as e. g. autonomy, variety;
- Leadership, such as e. g. management style, ways of communication.

The connection between causes, culture and climate can be visualized and applied to the progress of an organizational development process (see Figure 3).

Therefore OCI and OEI present an integral system to initiate change. Changes of these causes contribute to achieving the cultural reform targets (see Figure 4).

### Management—Driving Force behind Success

The senior management is the major driving force behind reform processes. Human Synergistics, therefore, directly examines the behavior of decision-makers by applying a 360 degrees feedback (Life Styles Inventory<sup>TM</sup> approaches for all employees and Leadership/Impact<sup>®</sup> especially for senior management). As a consequence coaching processes become easier to understand and more transparent.

### In Short:

0.	to measure the current culture (OCI);
1.	to define the desired culture (OCI-target);
2.	to analyze causes and climate (OEI);
3.	to define reform targets by comparing the current culture with the desired culture;
4.	to generate concrete reform approaches from the OEI-results in order to achieve the reform targets.

Figure 4

## Causality of problem areas in corporate culture

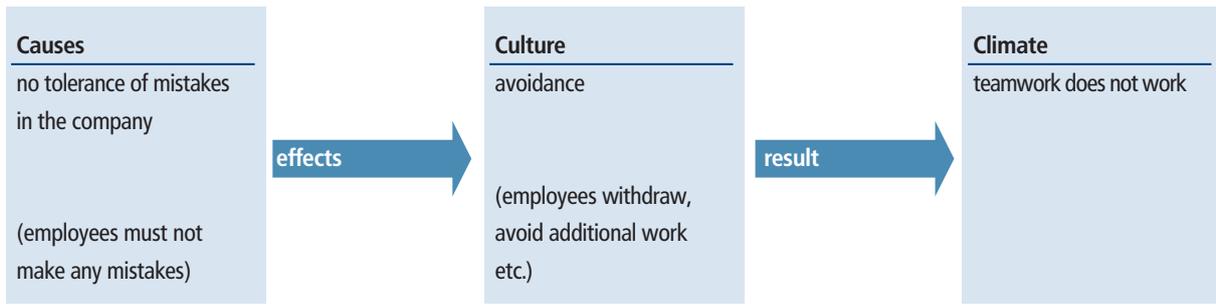


Figure 3

## Behavioral change targets of the health project—in concrete:

I am expected to	instead of
<b>performance</b>	
show open enthusiasm	never making any trouble
run certain risks	being calculable
<b>humanity-motivation</b>	
animate others	being committed, but not too heavily
be a good listener	pointing to mistakes
<b>sociability</b>	
treat others openly and warm-heartedly	being tough
Consider people more important than matters	receiving blind authority

Figure 5

## Implementation of the Approaches into Real Business Life—Some Case Studies

### Cultural Due Diligence in the Field of Finance Services

Experts estimate that 70 per cent of failed mergers are due to the lack of compatibility of corporate cultures. This was why, when amalgamating the two investment divisions of a large German finance service provider, apart from the commercial examination, a so-called “Cultural Due Diligence” was carried out. The project,

which was realized in cooperation with a big HR consultancy, aimed at revealing the status quo as well as developing a vision and a common culture.

The results of the OCI explained that significant cultural differences existed although both companies operated in similar markets. Involving the cultural factor as equal element as important as financial criteria decisively contributed to a successful merger. Hopes and fears of the employees were taken into consideration. Differences between the banks as well as within the different divisions were

directly dealt with. The results of the cultural assessment were a strong basis that reflected the best elements of both cultures for defining the new mission statement.

### **IT Service Management in a Big Hospital within the German-Speaking Area**

Another interesting example is the integral approach of reforming the IT division of a big hospital in the German-speaking area. For this customer an IT-consultancy elaborated the launch of an IT Service Management. However, the consultants decided very soon, together with the customer, to place the main focus on the human factor, besides processes and technologies. Supported by the Organizational Effectiveness Inventory (OEI), the OCI was applied in order to identify the main duties for the implementation of changes.

In particular the two fields of humanity-encouragement ("growth-style"—to reduce the highly oppositional behavior) and affiliation ("team style") were identified. Furthermore, deficits in behavioral expectations of the field achievement ("target style") were determined. In order to achieve the target, the OEI developed some levers. The involvement felt by the employees was to be increased—one side effect of the program.

Additionally, the change management team strives to introduce effective target systems. Finally, the results recommended to rework the job profiles. Over time, divisions had turned into a kind of silos and the areas of responsibility had become too limited (see Figure 5).

### **Division phenomenon corporate culture: The most constructive team becomes the driving force of cultural change.**

The reform program, limited to 12 months, now concentrates on one concrete change in the mutual treatment which is to be rolled out in the whole division with the aid of special tools ("change cards," events, role plays and team-debriefings). However, also structural problems in the field of target systems (SMART and linked to salaries) and communication (internal and external newsletter) are tackled.

On the basis of the 360 degrees feedback-tool LSI a management-coaching is carried out. The Human Synergistics customer service culture survey (Customer Service Styles Survey—"CS3"), which is planned for April 2006, shows the external effects of internal behavior. Both approaches also make use of the circumplex—analogue to the OCI. For 2007 it is planned to repeat the examination to monitor the progress.

### **Success Factor Culture—Has Nothing to Do with Soft Factors**

The examples explain that behavior and behavioral expectations (meaning culture) are a central force for optimizing the corporate success. Restructuring business processes, implementing new marketing strategies or outsourcing business fields are important methods to enable a company to be more successful and thus competitive in the long run. In order to achieve this target it has proved to be extremely effective and financially worthwhile to tackle the theme of behavior within a company. As the former regional speaker of Bayer AG in Australia, Dr. Alan McGilvray, emphasizes: To be constructive has nothing to do with "being nice." The objective is to set consequent targets and to follow them, to enjoy working for the company, to support others in personal growth and to regard the team as individual value. Then success comes automatically. This is an important issue for managers on each level.

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**Christian Schuster** is founder and owner of the German branch of Human Synergistics. Since his studies in the U.S. in the mid-nineties he has been working with the circumplex. In 2003, after longer involvement with Nestlé (international), Bertelsmann and Amazon.de he decided to cooperate with his former professor, Robert A. Cooke, owner of Human Synergistics. He graduated in business management from the University of Passau and holds an MBA from the University of Illinois, Chicago.

# The Repertory Grid Technique

## Assessing the Relevant Cultural Factors for Sustainable Corporate Development

Andreas Krafft

In his book "Good to Great: Why some companies make the leap ... and others don't." Jim Collins studied the requirements for surpassingly successful companies and presented them in an impressive way. His conclusion was, "One of the paramount tasks when transforming a company into a top company is the creation of a corporate culture that enables the staff to be heard, particularly to be heard when presenting the truth. This includes a distinct culture of debate."

One instrument that has enabled us at the Malik Management Zentrum St. Gallen in many projects to develop a company's culture as an essential factor for its success is the Repertory Grid Technique. With this technique we give employees the possibility "to be heard, particularly to be heard when presenting the truth." Our experience tells us that strategies and reorganizations are successful with a well-prepared implementation that considers and uses the corporate culture at an early stage.

### Purpose and Areas of Application

The Repertory Grid Technique is directly based on the psychology of personal constructs developed by George Kelly (1955). It is a powerful, simple and easy-to-implement method. With its proven and social-science based procedure, the technique enables to precisely determinate

1. a company's cultural characteristics and their dynamics,
2. the attitudes, motives and expectations of management and employees, as well as
3. the possible subcultures that have developed in individual departments and units of the company.

The "Repertory Grid" is a structured yet very open instrument that is used in a multitude of different situations and areas. Basically, it is a great support for companies undergoing a situation of change. It is used in the case of

- strategic adjustments,
- re-organizations,
- privatizations,
- mergers & acquisitions,
- organizational development,
- team development,
- regulation of succession,
- development of corporate mission statements and principles,

but also whenever companies try to assess and review the perceptions, ideas and expectations of management and staff in a structured and differentiated way.

The Repertory Grid Technique accommodates the diversity and dynamics in a company and assesses the specific factors for performance and results. In contrast to standardized surveys the Repertory Grid Technique is a focused yet very flexible and versatile form of analysis. Even though it is a structured assessment procedure it is entirely open with regard to content. Management and staff thus have the possibility to address the relevant topics and not just mark the answer to a pre-defined question. As another great advantage the Repertory Grid Technique allows both qualitative and quantitative results.

### What are the Expected Results when Using the Repertory Grid Technique?

Similar to its area of application, the results of the Repertory Grid Technique are also manifold. Basically, the Repertory Grid Technique is about providing the essential framework conditions and requirements for an effective corporate development or change. We at the Malik Management Zentrum St. Gallen apply this method in the context of an integrated understanding of organizations as an interplay between strategy, structure and culture. In change and development processes the Repertory Grid Technique supports the following success factors:

- clarifying the need for changes,
- generating a strong management coalition for change,
- developing a joint orientation,
- defining concrete objectives and measures,
- open and differentiated communication between management and staff,
- recognizing possible obstacles and stumbling blocks in changes.

The following examples shall clarify the different results when using the Repertory Grid Technique.



### Example 1 The company P+P faces radical reorientation—top management must communicate the need for changes.

At company P+P (author’s note: Name changed), the board noticed that the need for profound changes has not yet been clearly recognized by middle management. The manufacturing bases in Europe are increasingly expensive, yet off-shoring production to Asia or Eastern Europe is still a taboo. The objective of the Repertory Grid analysis was to prepare a workshop to communicate the urgency of radical reorientation. The findings of this analysis resulted in the following graph of the company and its culture (see Figure 1).

The graph shows the company’s essential cultural factors from the point of view of the participating people. The axis -3 to +3 records these factors in polarities. The further outside a value is located, the more pronounced the respective factor is (e.g. +3 = strongly pronounced, +2 = pronounced, +1 = slightly pronounced, etc.). On the other side of the scale (i.e. at -3, -2 and -1) there is the absolute opposite of the factor (e.g. the opposite of “recognition and appreciation” in this case is “indifference and mistrust”).

The diagram shows that the company has experienced a negative development in many areas (comparison of red and blue lines) and that there are no great hopes for the future (yellow line). A great

### Example 1: Company P+P and its culture

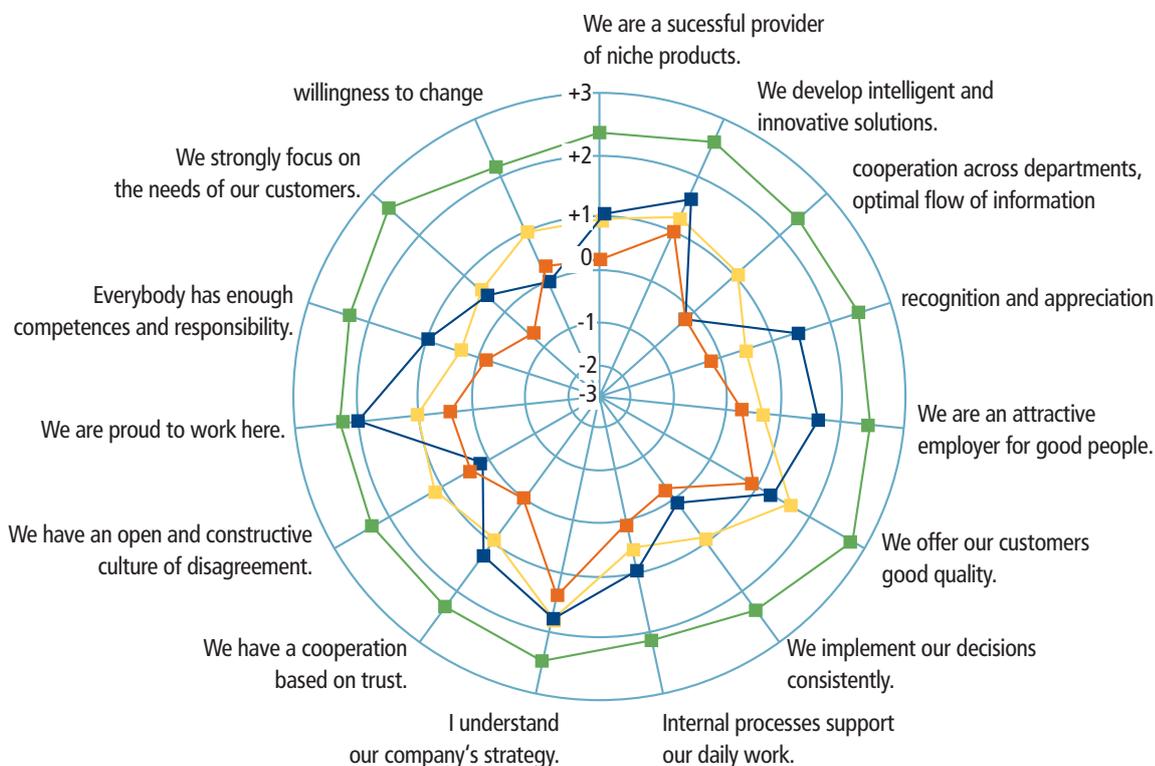
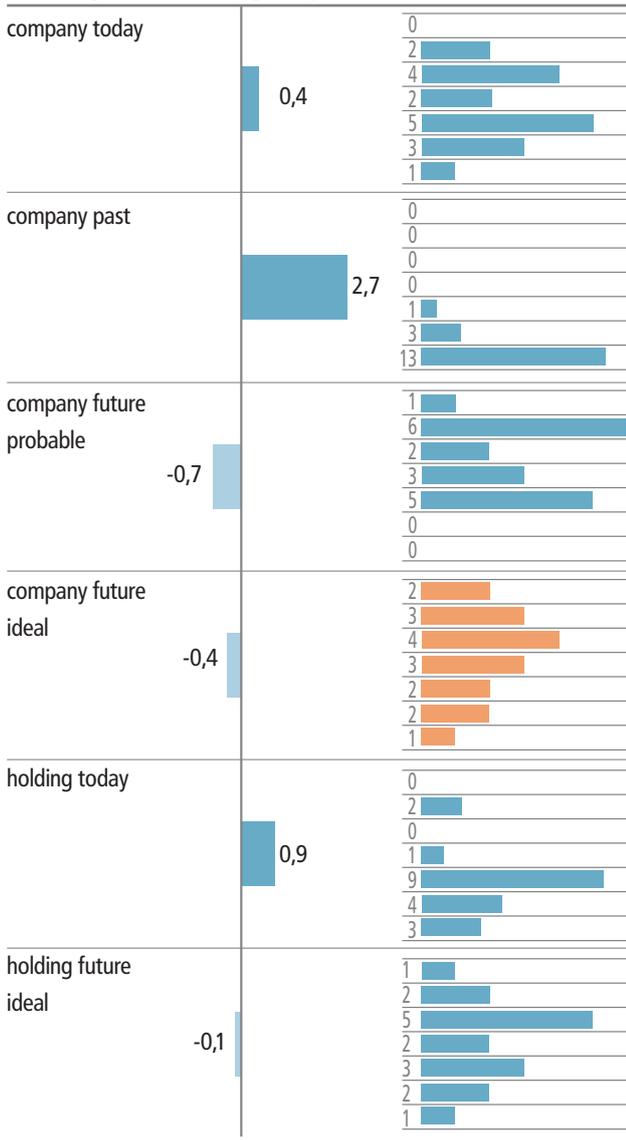


Figure 1  
 ■ P+P past ■ P+P today ■ P+P future probable ■ P+P future ideal

## Example 2: Company WS and its culture



assessment by 17 managers: -3 "private entrepreneurship" to +3 "public interest"  
 Figure 2 | BertelsmannStiftung

gap is perceived between the current situation and the desired situation (red and green lines). One aspect of particular criticism is customer orientation, market positioning, internal structures and procedures as well as cooperation. This graph shows that there is a fundamental threat to the existence of the company. On the basis of these findings participants at the workshop will discuss and agree upon the need for radical change. Concrete measures could be defined and immediately implemented.

### Example 2 The company WS is to establish a strong and uniform management coalition for change.

In this case the management of a large electric utility company wanted to establish a strong and uniform management coalition to drive the change from a hitherto state-owned enterprise to a private company (see Figure 2).

One criterion that was individually developed by 17 managers was the polarity "public interest vs. private entrepreneurship." This polarity was assessed with the scale from -3 (strong "private entrepreneurship") to +3 (strong "public interest") regarding the current situation, the past, the probable future and the ideal. It was also assessed how the interviewed person rated the holding. The horizontal bars to the right and to the left show the average assessments. The horizontal bars on the right show the distribution of the individual assessments.

The result shows that there are great variations in the individual assessments of the current situation. The ideal idea is seen critically both within the company and regarding the holding. Some managers wish for a company in the service of the public interest. Other managers see the ideal in private entrepreneurship. These findings were addressed in various meetings and sessions. By presenting the different corporate perceptions, the need for action was recognized and concrete measures were defined. There will always be—and should always be the possibility for—different opinions among the management of a company. Yet in this case the result was that the existing differences of opinions did not lead to deadlocked positions. The promotion of a mutual understanding enabled the managers to act jointly. In this context one clear measure was e.g. the

distribution, explanation and discussion of the current operating figures to embed a bigger understanding of productivity and economic thinking in the company.

### Example 3 Company P underestimated the power of a clear strategy.

Company P is the market leader in its sector but has been facing increasing competitive pressure for some years now. New providers are marketing the same products, and the fast technological developments every day bring new challenges for the company. The findings of a Repertory Grid study were presented and discussed in a management workshop. One small example shows the expectations regarding strategy (see Figure 3).

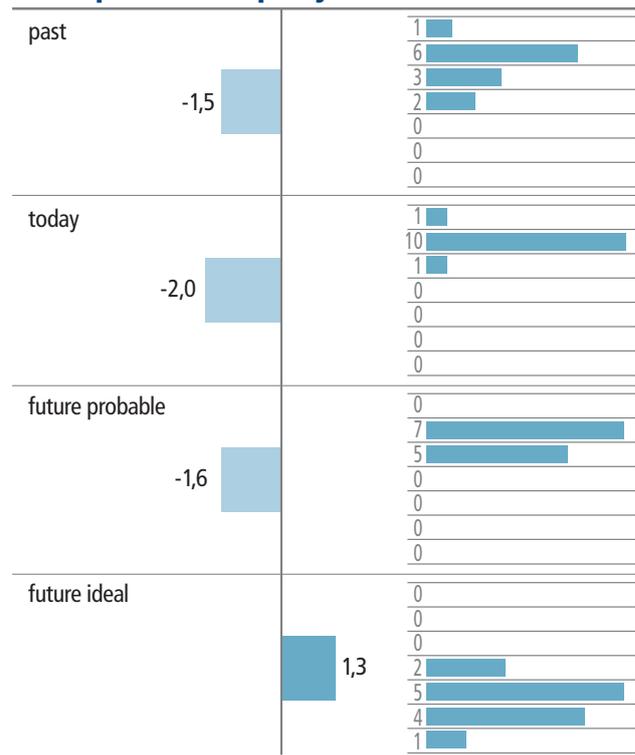
The 12 managers who were interviewed almost unanimously considered "short-term day-to-day business and doing things for the sake of doing them" to be characteristic for the company. The desire for a sustainable long-term strategy was clearly expressed. Yet it also became clear that the managers do not believe that such a strategy will be developed in the foreseeable future. Usually, such perceptions turn into a self-fulfilling prophecy. The task of the workshop was to identify the reasons for such an attitude of "doing things for the sake of doing them" and to develop a sustainable strategy. The decision was made to discuss the current strategic direction more intensely with the middle management and make it more palpable through personal strategic objectives and measures.

### Example 4 Following reorganization, the obstacles to implementation are identified and concrete measures defined.

Following the reorganization from a country-focused to a product-focused structure, the management of company P wanted to know what else it could do to effectively implement the new organization. Obstacles were to be recognized and further measures to be developed (see Figure 4).

Based on a Repertory Grid survey with 22 heads of divisions from seven different European subsidiaries, the findings of the study

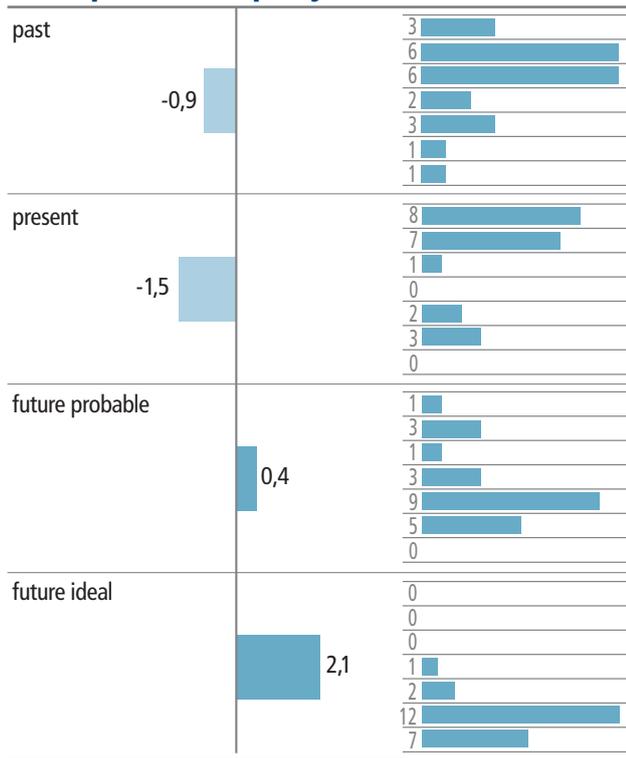
### Example 3: Company P and its culture



assessment by 12 managers: -3 "short-term day-to-day business and doing things for the sake of doing them" to +3 "sustainability, long-term strategy"

Figure 3

### Example 4: Company P and its culture



assessment by 12 managers: -3 "centralised workflow" to +3 "short decision-making processes. decisions on the spot"

Figure 4

suggested that centralizing the workflows and processes had led to longer decision-making processes. Yet there is one country where this was not the case. Despite all the positive impacts of reorganization, a lot of areas still needed a focused attempt to base decisions more on the respective local needs. Measures that were decided upon included regular management meetings to exchange essential information and prepare the groundwork for decisions.

### The Benefit of the Repertory Grid Technique is its Contribution to the Company's Sustainable Development.

The Repertory Grid provides a well-founded analysis of the company and its culture. It does not only represent a view of the current situation but also of relevant future scenarios and of the ideal idea of corporate culture. As it is the very managers and employees themselves who define the corporate culture, the Repertory Grid provides an authentic and differentiated view and not just general statements on a company's cultural reality. The benefit of a Repertory Grid survey can be summarized as follows:

- The technique enables an individual examination of the company's internal opportunities and dangers. The analysis itself is already a powerful intervention to trigger off changes.
- Internal obstacles to changes are identified and can be tackled openly.
- It creates understanding for different positions within the company and enables a common basis for viable solutions.
- It develops a broad acceptance for change measures and their implementation.
- It prepares the groundwork for a constructive and objective dialogue between top management and additional managers and employees.

### Summary

The Repertory Grid Technique is the suitable instrument whenever a company wants to honestly and genuinely assess the views and opinions of the participating people. Its main objective is to better use the hidden potentials and strengths of staff as well as to identify and handle existing areas of conflict (e.g. in the case of mergers, co-operations, reorganizations or between individual units).

It is another advantage of the Repertory Grid Technique that it presents more than just a view of the current situation and that it also investigates the perceived developments (improvements and/or deteriorations) and possible future scenarios. As the staff itself defines the content, the Repertory Grid Technique delivers an authentic and differentiated view of a company's actual reality and represents the first step for a development carried by the participating people with a great degree of ownership.

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# Concept Mapping and Pattern Matching A Technique for Assessing Corporate Culture and its Impact on Performance

Noel Burchell

Measuring culture is a challenge and many methods exist to assess differing aspects and levels of culture. Methods range from time consuming qualitative in-depth ethnographies with a focus on understanding culture, through to standardized quantitative cultural surveys that are relatively quick to complete and focus on intra and inter firm cultural comparisons.

One versatile method that is possibly midway between standardized surveys and ethnographies in terms of time to complete and depth of culture explored is that of Concept Mapping and Pattern Matching. The method has been used for over 20 years in thousands of projects primarily in evaluation and action research as a means for reaching consensus or decision-making. The use of Pattern Matching aspects in cultural analysis is more recent. The method shows tremendous potential because of its ability to portray much of the complexity of corporate culture through a series of simple graphical outputs.

Concept Mapping and Pattern Matching was developed by Professor Bill Trochim at Cornell University and is available as software projects through Concept Systems, Inc. USA. It enables a list of ideas to be generated that collectively might depict a particular concept. People structure these ideas by sorting them into clusters of related themes, and rating them according to one or more specified variables such as "what is important." The software processes this data to generate a range of graphical and statistical outputs for stakeholders to interpret and identify critical factors as a basis for action.

The method provides considerable latitude in the design of any study in terms of the demographics, number of ideas, measuring scales and participants that can be included. Longitudinal studies can also be made in order to show the effectiveness of change interventions over time.

## Two Examples

To assess its usefulness in cultural analysis, studies were conducted by the author on a faculty in a tertiary education provider and an express delivery firm. Steps in the procedure were:

- A focus group of representative staff members generated ideas about their culture under the direction of the facilitator with cultural expertise. Refining the ideas and rewording them as cultural statements took several iterations. This step is the most critical in the Concept Mapping process.
- Focus group members sorted the cultural statements into cluster themes.
- Staff in the organizations rated these statements based on their own experiences as a member of that entity, firstly as to the relative extent that a statement was typical, and secondly that it was or could be beneficial to the way the organization operates. Ratings measure respondents' perceptions of relative, rather than absolute differences among the ideas, in order to emphasize the subjectivity of the concept.
- Respondents' demographic, sorting and rating data was entered into the Concept Systems project software. A 10-cluster solution for the faculty and a 12-cluster solution for the delivery company (see Figure 1) were selected to best represent the relationship among the sorted ideas. A multitude of pattern matches were quickly generated that visually depicted differences between ratings and various demographic groupings such as gender, age grouping, managerial level, role, department and staff education levels.
- The pattern matches were shown to key stakeholders for discussion on their meanings and relating these to the operating context as a basis for reaching conclusions and exploring future actions.

The pattern match comparison of "typical" versus "beneficial" in Figure 1 effectively represents how staff perceive their culture and the extent that it contributes to organizational performance. A corporate cultural profile whereby the cluster lines are relatively parallel between the "typical" and "beneficial" axes and having a high correlation coefficient would indicate a culture that promotes corporate success.

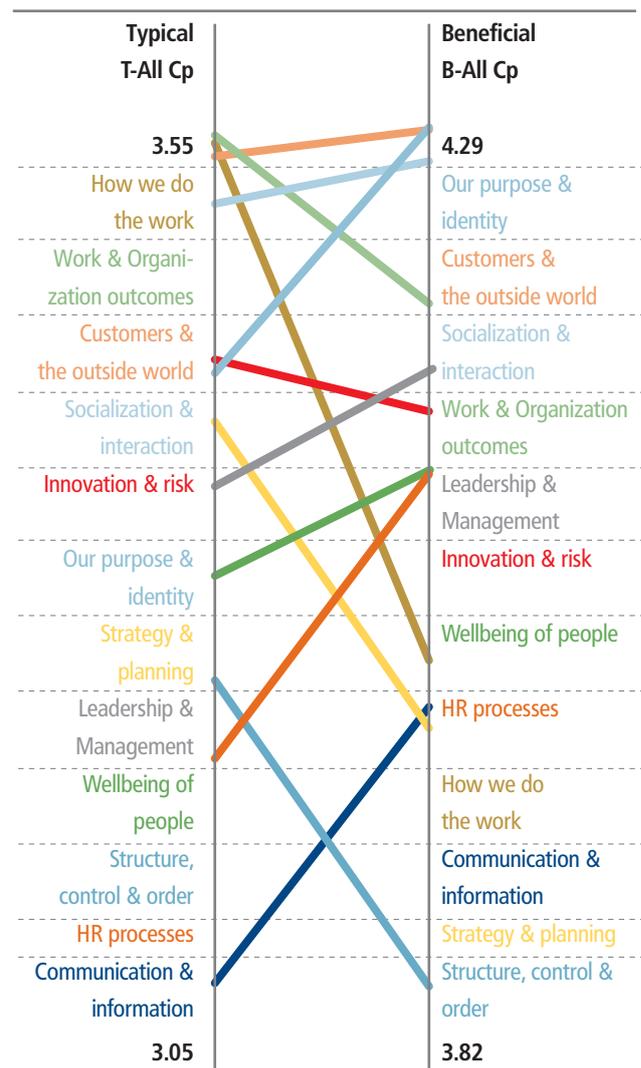


Parallel cluster lines between the two vertical axes indicate high relative agreement, while steeply angled lines show major disconnects. A high correlation coefficient indicates much agreement among the cluster themes for the two axes, while a low one indicates many “disconnects.” Note that maps show relative, not absolute differences among the clusters to reflect member perceptions being subjective.

In Figure 1, the high-ranking and relatively parallel cluster line for “customers & the outside world” and “socialization & interaction” show the culture reflects the critical importance of customer needs and internal relationships. Lines at steep angles indicate major disconnects, such as the theme of “how we do the work” which is ranked the most typical, but only ranked 8th in terms of what is perceived as being beneficial. A correlation coefficient  $r = .54$  indicates some relative agreement between the two ratings. The corporation noted the low emphasis on communication and HR processes and has since instituted practices to improve these two areas. A pattern match for the faculty study had a correlation coefficient of  $r = -.02$  suggesting unhealthy aspects to the culture. What was highly typical was perceived by staff as not being very beneficial, and vice versa. A number of remedial management and structural changes have since occurred.

In these two cultural studies, staff differed widely on their perceptions of what was typical in their culture. However, there was surprisingly high agreement among all the various demographic groupings on which cultural aspects were beneficial to the performance of the organization. This has important implications for cultural change management, as since staff seem to agree on what is beneficial, then corporate performance will be enhanced when there is alignment among the typical and beneficial cluster themes. The success of cultural change interventions to correct misalignments can be easily tracked over time via future surveys.

## How staff see differences in what is typical in the culture versus what is beneficial.



$r = .54$

Figure 1

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## Comparison of how two departments view what is typical in the Faculty



While Figure 1 shows two rating scales, Figure 2 from the faculty study shows a pattern match for a single rating of how staff members in two departments with distinctly different discipline areas viewed what was typical in the culture. This pattern match is a sub-cultural analysis, and shows just how different two departments can be although belonging to the same faculty. Currently the institution is looking at merging these two departments. However, the many disconnects and low correlation coefficient suggests that this will be fraught with major difficulties unless attempts are made to develop a more common culture (see Figure 2).

### Advantages of the Method

Concept Mapping and Pattern Matching has a number of benefits as a means for assessing corporate culture:

- The method is highly versatile and any cultural study can be tailor made to suit the information requirements desired by a corporation.
- The cultural maps are developed and effectively owned by staff members.
- It enables all, or just some of the staff to participate in a cultural study.
- Cultural maps are specific to that corporation only, as the ideas concerning its culture are surfaced by its own members.
- A wide range of maps showing differences among demographic groupings for one or more ratings can be generated by the software in seconds.
- It permits cultural analysis to occur at the cluster and individual statement level, allowing macro and micro cultural interventions to be actioned.
- Further ratings can be made enabling longitudinal cultural studies.
- Pattern matches enable stakeholders to quickly identify critical priority areas as a basis for taking remedial action.

## Recommendations on the Use of the Method

Recommendations by the author for cultural analysis in this method include:

- Ensure top management support for all stages of the project as its interpretive nature is more time consuming than standardized surveys.
- The facilitator needs to have a strong knowledge of Concept Mapping and corporate culture in order to bring out the features of the corporation's culture to guide interpretations by stakeholders as a basis for action.
- The focus group to elicit the cultural ideas needs to be representative of the firm, with members being "culturally aware" and committed to the study.

Concept Mapping and Pattern Matching for cultural analysis would be recommended for corporations seeking to

- pursue in-depth unique cultural studies where the aim is to understand or seek deeper changes to the corporate culture,
- investigate sub-cultural and demographic differences within a corporation,
- conduct longitudinal studies of cultural change,
- measure perceptions of the association of culture to aspects of corporate life such as problem areas, performance, strategy and success criteria,
- take account of cultural considerations in mergers or acquisitions,
- identify whether a strong corporate culture exists.

## Conclusions

Many studies have shown a correlation between particular cultural characteristics and economic measures of success such as growth, profitability and stock value. This relationship is also moderated by a host of other non-cultural factors making causality a challenge. While strong cultures are often associated with high performance, the wrong type of strong culture can lead to the opposite effect.

Culture can only be related with strong economic performance if it is understood in its context. The effectiveness of any corporate culture depends primarily on its alignment with strategy, HR practices, leadership and structure as a function of its environmental context. It should also be noted that while culture is a default mechanism, it works by acting as a tacit source of influence. It is not a control device as staff members still have choices in terms of their chosen behaviours.

Inappropriate cultures relative to their operating context can be changed. The first step is to assess the culture to identify perceived gaps between the current and desired culture necessary for corporate success. Measuring culture invariably leads to its changing, and the method chosen for its assessment will produce different outcomes. Cultural change is a slow process particularly at the deeper levels. The more problematic the culture, the greater the need to understand cultural fundamentals before change interventions are undertaken. Although quite new in corporate culture assessment, Concept Mapping and Pattern Matching with its flexibility and proven research approach can provide that necessary depth of understanding.

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# Culture Assessment

Sonja A. Sackmann

## Application and Components of Culture Assessment

The Culture Assessment method presented here is appropriate when the management of a company wants to get a picture of the strengths and weaknesses of their corporate culture. This method can be of particular assistance in view of the company's strategic positioning, of a specific problem and when initiating development processes. Based on the Culture Assessment, focused measures can be initiated to improve the company's efficiency and effectiveness and thus its clout with regard to a specific problem. Understanding the corporate culture is not the method's exclusive focus, the interest is rather on understanding corporate culture in view of a development process.

The Culture Assessment method is based on the assumption that corporate culture represents a multi-faceted dimension within a company that invisibly controls the behavior of personnel and managers and is typical of a company or organizational unit. That is to say that the specific embodiment of a corporate culture's content can translate either into a sustainable competitive advantage for a company or into a disadvantage. It is thus important to be familiar with the specifics of an existing corporate culture. An assessment of what precisely it is that constitutes a strength or weakness for a company can only be made on the basis of a normative comparison. For this comparison we can draw on the corporate strategy, as increasing competitive dynamics require a clear strategic positioning to set the goal for joint action in the company. To implement this strategy there needs to be the suitable corporate culture to provide support. The normative direction can also be determined by a specific problem, e.g. the question of possible fits in the case of an acquisition or the organization's improved efficiency and effectiveness.

For this reason the Culture Assessment comprises first, an analysis of the existing culture (as-is analysis), second, a determination of the future requirements for a corporate culture (culture to-be) and third, the comparison of the existing culture and the culture to-be that uncovers the strengths and weaknesses of the existing corporate culture in view of the development required for the future and the strategic positioning of the company.

## Culture Assessment Procedure

Figure 1 shows the individual steps of the Culture Assessment, they are subsequently explained (see Figure 1).

In a first step the necessary requirements for a future corporate culture (culture to-be) are deduced from the corporate strategy. In case the existing corporate strategy is outdated, it should first be updated or revised.

The concrete contents of the culture to-be in addition to the existing corporate and management principles shed light on the central dimensions or areas that a culture analysis should collect data or information on. For the culture analysis, i.e. the determination of the existing culture, a combination of data collection methods is used:

- interviews with the top two or three management levels as well as with central managers from various hierarchy levels and sectors (key personnel),
- workshops with managers of the subsequent levels and central specialists—across sectors and locations,
- analysis of internal and external documents,
- monitoring (during interviews and meetings, company tours, etc.),
- informal talks across levels and sectors.

The collected information is compared, analyzed and the findings are summarized in a report containing recommendations for action. Yet the focus is not on the holistic analysis of the corporate culture but on an analysis that focuses on the problem or challenge at hand. The findings and recommendations for action are first presented to the top management and jointly discussed.

The recommendations for necessary or meaningful cultural development measures follow the company's normative goals that also constitute the basis for the assessment of the existing corporate culture's strengths and weaknesses.

For the design of cultural development processes it is important to follow some basic rules of organizations as systems between human beings as well as of change processes. Frequently observed problems are measures that are carried out in isolation and singularly

## The individual steps of a Culture Assessment

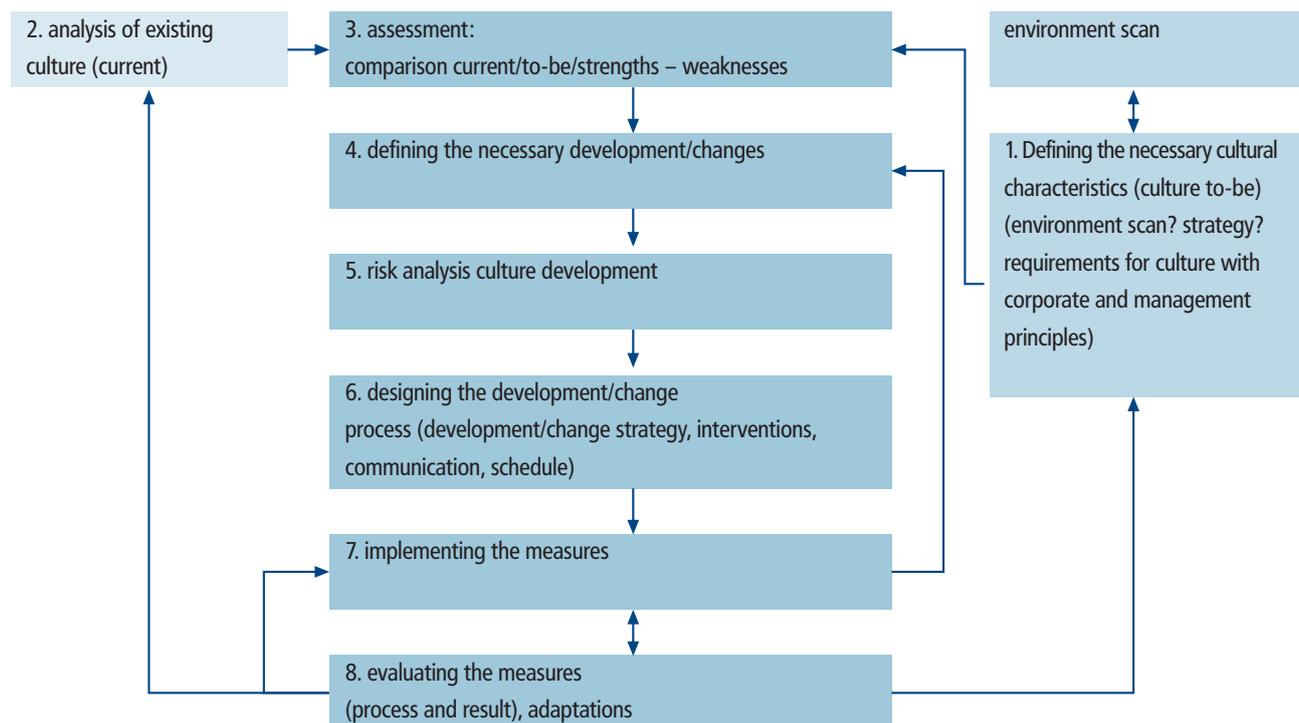


Figure 1

without taking into account their mutual influence and dependencies on one another. The feedback on the Culture Assessment's findings is, e.g., already a first implementation measure as it triggers valuable knowledge and thus development processes.

In parallel to the coordinated measures a process of a) communication and b) evaluation should be planned and implemented to accompany the cultural development process. It is the objective of the communication process to inform the entire company on a regular basis about the state and progress of the cultural development process. The evaluation process should ensure that problems arising during the implementation process are dealt with speedily and measures can be adapted. It also provides progress information.

### Example of a Culture Assessment

In one concrete example the to-be analysis and the economic market situation resulted in the following requirements for the corporate culture that was needed in the future: Strategic and entrepreneurial thinking and acting, greater flexibility of thinking and acting in the organization, greater cost consciousness and performance orientation as well as coordinated and supportive operations between the sectors. Then, a workshop with the top managers was carried out to obtain their approval for this normative direction to-be of the company, to get their support for the change process and sound out possible taboos. Afterwards, about 50 individual 1 to 2-hour interviews were held with the company's three highest management levels and selected informants. Furthermore, participants for two analysis workshops were chosen from the subsequent management levels, all units and locations. These workshops com-

## Example of a Culture Assessment with areas of action for the cultural development process (based on Sackmann 2002/2004:151)

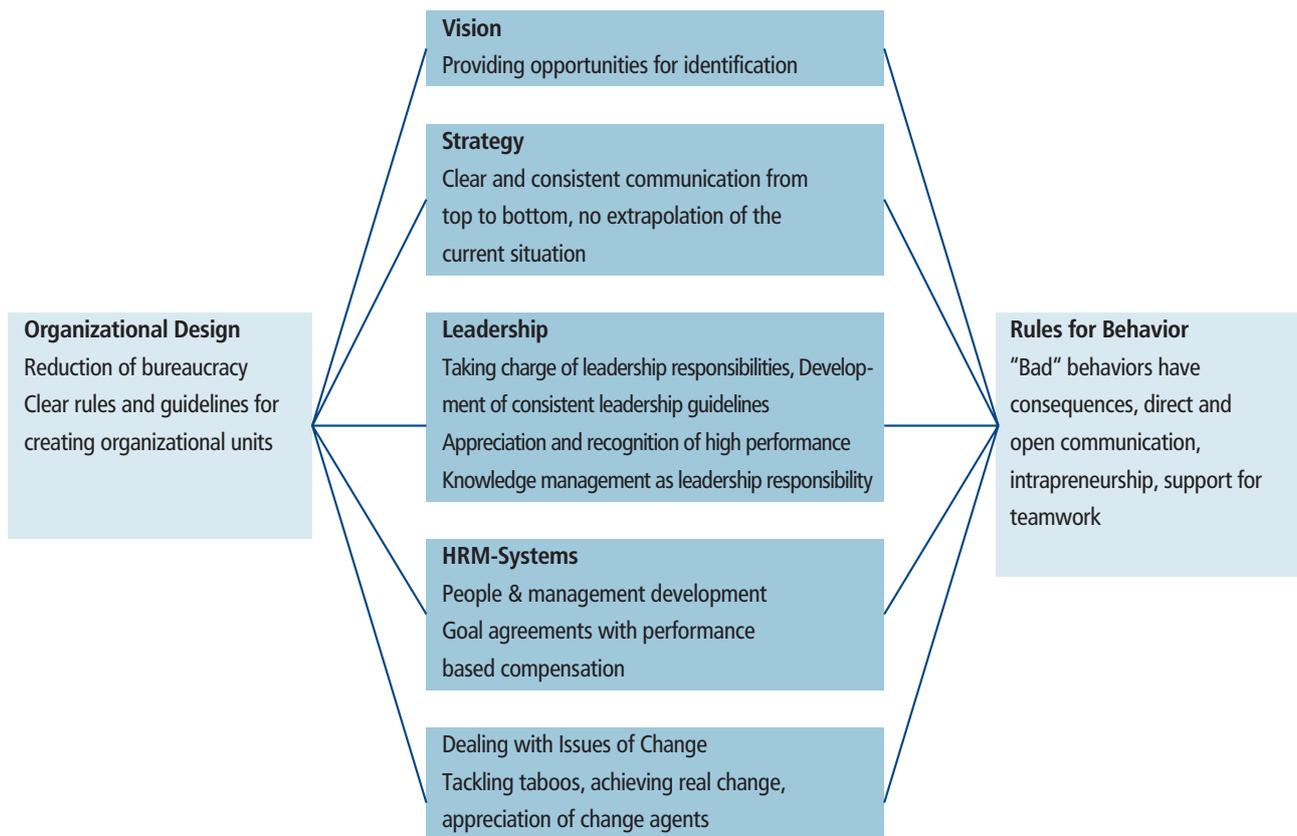


Figure 2

piled the topics that the participants deemed important in order to shape the future; at the same time, the process was monitored. In addition, documents were collected and analyzed and the process was monitored in formal and informal settings. Impressions resulting from the other data collection sources were compared and possible inconsistencies detected.

Figure 2 summarizes the central findings and necessary areas of action for a process of cultural development.

In accordance with this Culture Assessment a number of connected and coordinated development measures were proposed. Subsequently, their potential advantages and disadvantages as well as their chances and risks were discussed.

The concrete leadership behavior was established as a central problem of the cultural development process. As the expectations for the managers were unclear, the first step was to develop management principles with the top management and their realization was supported with the appropriate development and coaching measures. One year later, a 360 degrees feedback process reviewed the implementation of the expected management behavior. A number of additional measures in the listed areas of action were carried out as accompanying measures (Sackmann 2002).

### Concluding Assessment

The Culture Assessment is an extremely flexible method that can be adapted to specific questions, topics and problems. It results in detailed, company-specific information with concrete references to necessary or sensible areas of action. This method can detect inconsistencies, contradictions, sub-cultures and cultural dynamics. But this detailed, company-specific information does not allow for immediate comparisons with other companies—unless these were included in the initial design of the data collection.

The results of the Culture Assessment and the subsequent cultural development process can be linked to the company's operating figures. After the first run of the Culture Assessment a reduced and specifically focused form can be carried out in regular intervals to review the further development and recognize a possible cultural drift early on.

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# International Network Corporate Culture—an initiative following the Carl Bertelsmann Prize 2003

The research conducted within the scope of the Carl Bertelsmann Prize 2003 has proven that a corporate culture, if designed humanely and efficiently, and exemplary leadership behavior rank among the decisive success factors for many European companies.

Numerous best practice models impressively elucidate how these success factors may become guarantors for a company's sustainability and viability. So far there are only a few seminal associations of committed companies that have made it their business to promote the establishment of a corporate culture that can assure success for a business enterprise. A packaged collection of experience gained in the field of corporate culture and practice-oriented assistance for implementation is missing altogether. This is exactly the gap the Bertelsmann Foundation tries to close with the "International Network Corporate Culture."

## Objectives

Collection of approaches, methods and instruments based on best practice instruments developed in and with the network member companies and with scientific support.

- According to individual needs: Practical testing and evaluation of these approaches, methods and instruments in the member companies.
- The network develops new, practice-oriented insights and results on the following issues:
  - Assessment and evaluation of corporate culture against the background of the Return on Investment;
  - Interaction between corporate strategy and corporate culture, structure and communication;
  - Corporate culture against the background of globalization;
  - Communication and conservation of values in corporate culture / cultural competences in leadership.

## Network Members:

- Bertelsmann AG (Gütersloh / Germany)
- B. Braun AG (Melsungen / Germany)
- BMW Group (Munich / Germany)
- Henkel KGaA (Düsseldorf / Germany)
- Hilti AG (Schaan / Liechtenstein)
- ING N.V. (Amsterdam / Netherlands)
- Lufthansa AG (Frankfurt / Germany)
- Novartis AG (Basel / Switzerland)
- Novo Nordisk A/S (Bagsværd / Denmark)
- Unilever N.V. / PLC. (Rotterdam / Netherlands; London / Great Britain)

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# The Bertelsmann Stiftung

## Reforms

The Bertelsmann Stiftung encourages social change and strives to contribute to a sustainable society. Working with a wide range of partners, the foundation identifies social problems and challenges at an early stage and then develops exemplary solutions in response.

We view ourselves as an initiator and driver of necessary reforms. As a knowledge-based organization, we strive to stimulate a lively debate on the most pressing issues of our day and provide policy-makers with new momentum for addressing them. Our work is guided by our founder Reinhard Mohn's firm belief that the principles which serve as a foundation for entrepreneurial action can also play a key role when it comes to creating a sustainable society.

## Goals

The Bertelsmann Stiftung develops strategies in theory, then carries them out in practice. As a private operating foundation, our primary goal is to make a meaningful and enduring contribution to society. We focus our activities on projects that can have a decisive influence on society's long-term viability.

We concentrate in areas where we have established compelling competence through years of experience: Higher-quality education, an equitable and efficient economic system, preventative health-care, a vibrant civil society and greater international understanding.

The Bertelsmann Stiftung is independent and nonpartisan. We design and implement our own projects. As a learning organization, we aspire to excellence. As an independent force for reform, we aim to break down barriers that stand in the way of social progress.

## Organization

In order to deploy its organizational and human resources most effectively, the Bertelsmann Stiftung structures its work according to subject area. Its Centers of Excellence support and coordinate its efforts and are active in the areas of Philanthropy Promotion, Corporate Culture and Management, Communities and Regions, and Culture. The foundation responds to especially complex social challenges with projects that span program boundaries, such as Demographic Change and Work/Life Balance.

## Projects

The Bertelsmann Stiftung is currently involved in more than 60 projects. Projects in each subject area have a limited time frame, which frees up resources for new endeavors once a project has ended. If a pilot project proves successful, the foundation makes an effort to help it find a wider audience. The projects' proposed solutions are either adapted by partner organizations and become established practice in the relevant field or they continue to be implemented within other collaborative frameworks.

## Employees

The Bertelsmann Stiftung employs some 300 people, of whom 185 work in project management. To foster creativity and synergy, they work together in project teams—often on several projects at a time and in more than one subject area.

All project staff maintain close contact with the target groups whose needs their projects are designed to serve. This keeps them well informed about the latest developments and proposed solutions in areas of current social concern.

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