Influence of Organizational Culture on Organizational Strategy

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Abstract

The culture of an organization affects the way in which people behave and has to be taken into account as a contingency factor in any programme for developing organizations and human resource policies and practices. This is why it is important for human resource specialists to understand the concept of organizational culture and how it influence organizational strategy as reviewed in this present investigation. The study conclude that an understanding of the culture of an organization and its relationship to organizational strategy can be gained by using the cultural web, which shows the behavioural, physical and symbolic manifestations of a culture that inform and are informed by the taken-for-granted assumptions, or paradigm, of an organization. The review work recommend that as managers are faced with a stimulus for action, such as declining performance, they should first try to improve the implementation of existing strategy.

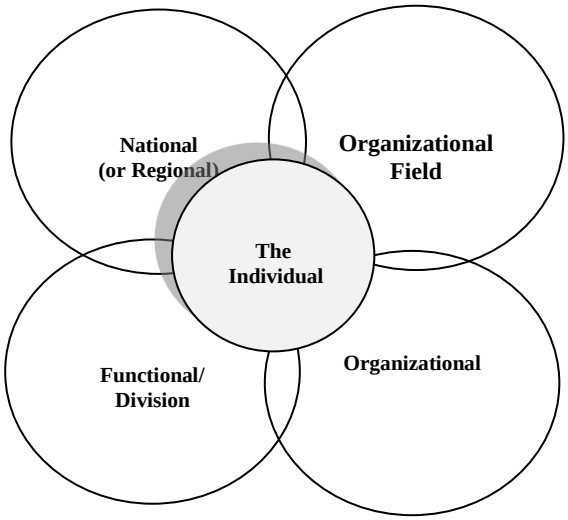
Key Words: Culture, Strategy, Organization, Managers, Management, Human Resource.

Introduction

Organizational or corporate culture is the pattern of values, beliefs, attitudes and assumptions that may not have been articulated but shape the ways in which people in organizations behave and things get done. Values refer to what is believed to be important about how people and organizations behave. Norms are the unwritten rules and behaviour. Thus, organizational culture is a socially established structures of meaning (Alvesson, 2000). Schein (1997) describes organizational culture more specifically as the basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously and define in a basic taken-for-granted fashion an organization's view of itself and its environment. Related to this are taken – for –granted ways of doing things, the routines, that accumulate over time. In other words, culture is about that which is taken – for –granted but none the less contributes to how groups of people respond and behave in relation to issues they face. It therefore, has important influences on the development and change of organizational strategy.

Infact cultural influences exist at multiple levels as Exhibit 1 shows. The sections of this study identifies the important factors and issues in terms of different cultural frames of reference and then show how organizational culture can be analyzed and characterized as a means of understanding the influences of culture on both current and future organizational purposes and strategies.

Exhibit 1: Cultural Frames of Reference



National and Regional Cultures

Many writers, perhaps the most well known of which is Hofstede (2001) have shown how attitudes to work, authority, equality, and other important factors differ from one country to another. Such differences have been shaped by powerful cultural forces concerned with history, religion and even climate over many centuries. Organizations that operate internationally need to understand and cope with such differences that can manifest themselves in terms of different standards, values and expectations in the various countries in which they operate (Lewis 2000; Schneider and Beasoux, 2003). It may also be important to understand subnational, usually regional cultures. For example, attitudes to some aspects of employment and supplier relationships may differ at a regional level even in a relatively small and cohesive country like United Kingdom, and quite markedly elsewhere in Europe, for example between Northern and Southern Italy (Jackson, 2000). There may also be differences between urban and rural locations.

Organizational Field

The culture of an organization is also shaped by work-based groupings such as an industry, or sector, a precession or what is some times known as an "organizational field" which is a community of organizations that interact more frequently with one another than with those outside the field and that have developed a shared meaning system (Scott, 1995). Such organizations may share a common technology, set of regulation or education and training. In turn this can mean that they tend to cohere around a "recipe" a set of assumptions, norms, and routines held in common within an organizational field about organizational purposes and a shared wisdom on how to manage organizations. For example, there are many organizations in the organizational field of "Justice" such as Lawyers, police, courts, prisons and probation services. The roles of each are different and their detailed prescriptions as to how Justice should be achieved differ. However, they are all committed to the principle that Justice is a good thing which is worth striving for, they interact frequently on this issue, have developed shared ways of understanding and debating issues that arises and operate common routines or readily accommodate the routines of others in the field. Similar coherence around a recipe is common in other organizational fields, for example professional services such as accountancy and many industries. This link to the concept of path dependency, which is where early events and decisions

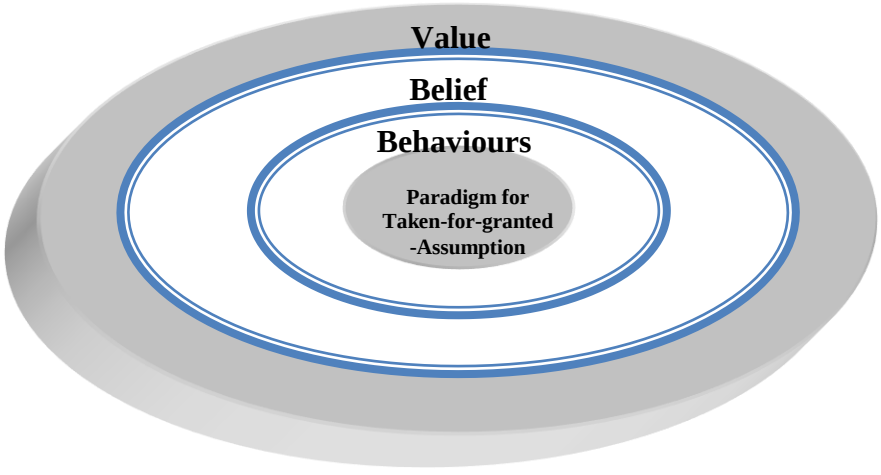
establish policy paths that have lasting effects on subsequent events and decisions. The different parties in an organizational field form a self reinforcing network built on such assumptions and behaviours that very likely, will lead to behavioural lock-in. Indeed, professions, or trade associations, often attempt to formalize an organizational field where the membership is exclusive and the behaviour of members is regulated. Such cultural influences can be advantageous, say to customers, in maintaining standards and consistency between individual providers. Managers can, however, become institutionalized such that they do not see the opportunities or indeed threats from outside their organizational field and their recipes are also likely to be very difficult to change.

Within an organizational field, "legitimacy" is an important influence. Legitimacy is concerned with meeting the expectations within an organizational field in terms of assumptions, behaviours and strategies. Strategies can be shaped by the need for legitimacy in several ways. For example, through regulation, for example, standards and codes of behaviour specified, perhaps by a professional body, normative expectations, that is what is socially expected, or simply that which is taken for granted as being appropriate, for example recipe.

Organizational Culture

The culture of an organization is often concerned as consisting of four layers (Schein, 1997; Brown, 1998; Alvesson, 2002). This is shown in Exhibit 2.

Exhibit 2: Culture in Four Layers



1. **Values:** Values may be easy to identify in an organization, and are often written down as statements about an organization's mission, objectives or strategies. However, they can be vague, such as "service to the community or honouring equal employment opportunities.

2. **Beliefs:** are more specific, but again they can typically be discerned in how people talk about issues the organization faces; for example, a belief that the company should not trade with particular countries, or that professional staff should not have their professional actions appraised by managers. With regard to both values and beliefs it is important to remember that in relation to culture, the concern is with the collective rather than individuals' values and beliefs. Indeed it may be that at times run counter to their organization's worth which can give rise to the sort of ethical tensions and problems.

3. **Behaviours:** Behaviours are the day-to-day way in which an organization operates and can be seen by people both inside and outside the organization. This includes the work routines, how the organization is structured and controlled and softer issues around symbolic behaviours.

4. **Taken-for-Granted-Assumptions:** Taken-for-granted-assumption are the core of an organization's culture. They are the aspects of organizational life which people find difficult to identify and explain. Here they are referred to as the organizational paradigm. The paradigm is the set of assumptions held in common and taken for granted in an organization. For an organization to operate effectively there is bound to be such a generally accepted set of assumptions. These assumptions represent collective experience without which people would have to "reinvent their world" for different circumstances that they face. The paradigm can underpin successful strategies by providing a basis of common understanding in an organization, but can also be a major problem, for example when major strategic change is needed, or when organizations try to merge and find they are incompatible.

Organizational Subcultures

In seeking to understand the relationship between culture and an organization's strategies, it may be possible to identify some aspects of culture that pervade the whole organization. However, there may also be important subcultures within organizations. These may relate directly to the structure of the organization: for example, the differences between geographical divisions in a multinational company, or between functional groups such as finance, marketing and operations. Differences between divisions may be particularly evident in organizations that have grown through acquisition (Remanelli and, Tushman, 1994). Also, different divisions may be pursuing difference types of strategy and these different marketing positioning require or foster different cultures. Indeed, aligning strategic position and organizational culture is a critical feature of successful organizations. Differences between business functions also can relate to the different nature of work in different functions. For example, in a company like Shell or BP differences are likely between those functions engaged in "upstream" exploration, where time horizons may be in decades, and those concerned with "downstream" retailing, with much shorter market-driven time horizons (Okra, 2019). Arguably, this is one reason why both Shell and BP pay so much attention trying to forge a corporate culture that crosses such functions.

Influence of Organizational Culture on Organizational Strategy

The taken– for –granted nature of culture is what makes it centrally important in relation to strategy and the management of strategy. There are two primary reasons for this says (Holbrook et al, 2000).

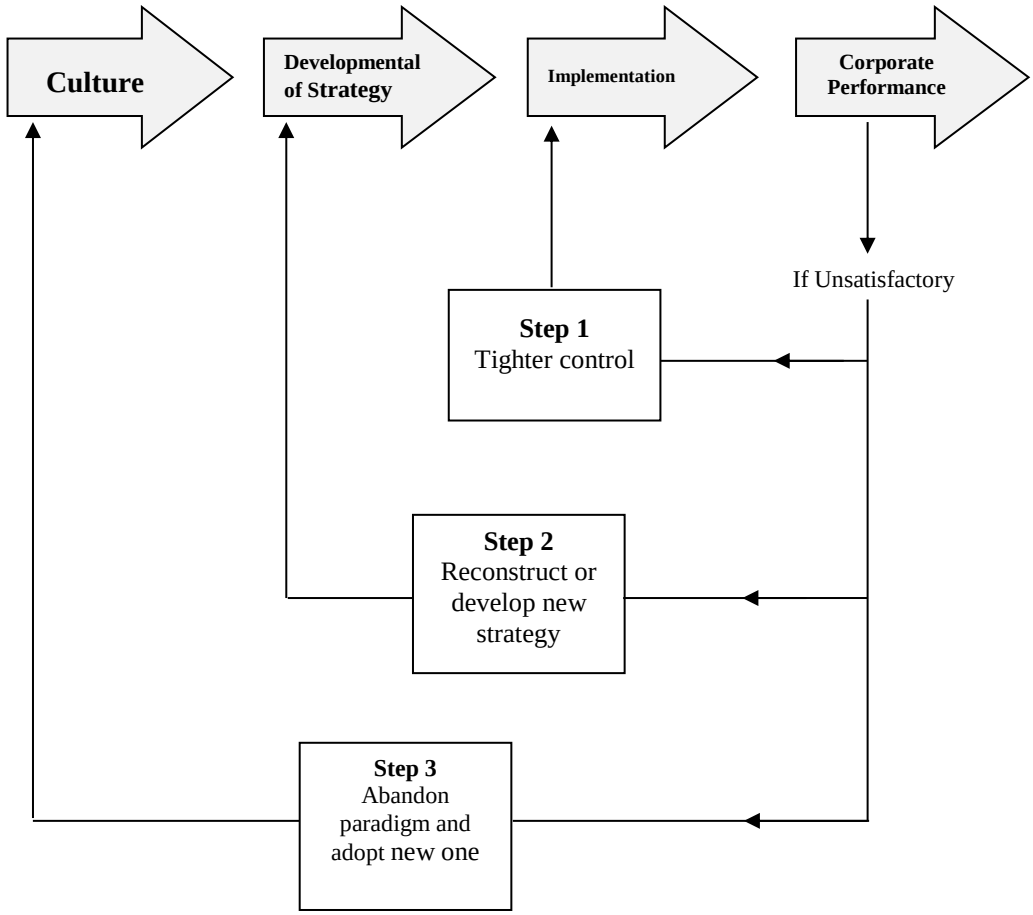
1. **Managing Culture:** Because it is difficult to observe, identify and control that which is taken for granted, it is difficult to manage. This is why having a way to analyze culture so as to make it more evident is important.

2. **Culture as a Driver of Strategy:** Organizations can be captured by their culture and find it very difficult to change their strategy outside the bounds of that culture. Managers, faced with a changing business environment, are more likely to attempt to deal with the situation by searching for what they can understand and cope with in terms of the existing culture. The result is likely to be incremental strategic change with the risk of eventual

strategic drift. Culture is, in effect, an unintended driver of organizational strategy.

The effect of organizational culture on organizational strategy is shown in Exhibit 3 (Grinyer and Spender, 1979).

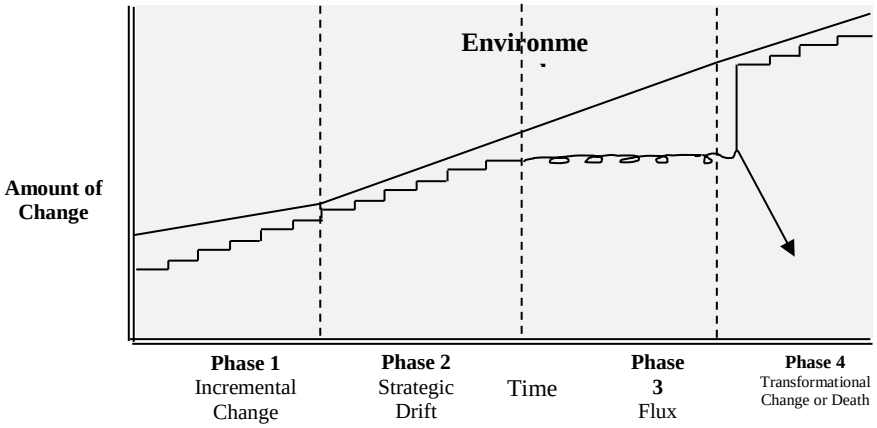
Exhibit 3: Culture's Influence on Strategy Development



Source: Adapted from P. Grinyer and J-C Spender, Turnaround: Managerial Recipes for Strategic Success, Associated Business Press 1979 p. 203.

Faced with a stimulus for action, such as declining performance, managers first try to improve the implementation of existing strategy. This might be through trying to lower cost, improve efficiency, tighten control or improve accepted ways of doing things. If this is not effective, a change of strategy may occur, but a change in line with the existing culture (Alvesson, 2002). For example, managers may seek to extend the market for their business, but assume that it will be similar to their existing market, and therefore set about managing the new venture in much the same way as they have been used to. Alternatively, even where managers know intellectually that they need to change, indeed know technologically how to do so, they find themselves constrained by path – dependency organizational routines and assumptions or political processes. This often happens, for when there are attempts to change highly bureaucratic organizations to be customer orientated. Even if people who accept intellectually the need to change an organizational culture's emphasis on the importance of conforming to established rules, routines and reporting relationships, they do not readily do so. The notion that reasoned argument necessarily changes deeply embedded assumptions rooted in collective experience built up over long periods of time is flawed (Donald, 1999). Readers need only think of their own experience in trying to persuade others to rethink their religious beliefs, or indeed allegiances to sport teams, to realize this. What occur is the predominant application of the familiar and the attempt to avoid or reduce uncertainty or ambiguity. This is likely to continue until there is perhaps dramatic evidence of the redundancy of the culture, quite likely as the result of the organizations entering phase 3 or 4 of strategic drift in exhibit 4.

Exhibit 4: Strategy Drift



Historical studies of organizations have shown a pattern that is represented in Exhibit 4. "Strategic drift" according to Johnson (1988) Zomanalli and Tushman (2002), is the tendency for strategies to develop incrementally on the basis of historical and cultural influences, but fail to keep pace with a changing environment. The reasons and consequences of strategic drift are important to understand, not only because it is common, but because it helps explain why organizations often run out of steam. It also highlights some significant challenges for managers which, in turn, point to some important lessons.

Strategies Changes Incrementally

Strategies of organizations tend to change gradually. Here it is sufficient to summarize by explaining that there is a tendency for strategies to develop on the basis of what the organization has done in the past, especially if that has been successful (Miller and Friesen, 1980). In most successful businesses there are usually long periods of relative continuity during which established strategy remains largely unchanged or changes very incrementally. There are three main reasons for this:

1. Alignment with environmental change. It could well be that the environment, particularly the market, is changing gradually and the organization is keeping in line with those changes by such incremental change. It would make no sense for the strategy to change dramatically when the market is not doing so.

2. The success of the past. There may be a natural unwillingness by managers to change a strategy significantly if it has been successful in the past, especially if it is built on capabilities that have been shown to be the basis of competitive advantage or of innovation.

3. Experimentation around a theme. Indeed managers may have learned how to build variations around their successful formula, in effect experimenting without moving too far from their capability base.

Analyzing Culture: The Cultural Web

In order to understand both the existing culture and its effects it is important to be able to analyze culture. The cultural web says Johnson (1992) is a means of doing

this. The cultural web shows the behavioural, physical and symbolic manifestations of a culture that inform and are informed by the taken-for-granted-assumptions, or paradigm, of an organization. The cultural web can be used to understand culture in any of the frames of reference, but is most often used at the organizational and/or functional levels in Exhibit 1 (Johnson, 1998). The elements of the cultural web are as fellows:

1. The Paradigm is at the Exhibit 2. In effect, the taken-for-granted-assumptions and beliefs of the paradigm are the collective experience applied to a situation to make sense of it and inform a likely course of action. The assumptions of the paradigm may be very basic.

2. Routines are the way we do things around on a day-to-day basis. These may have a long history and may well be common across organizations. At their best, these lubricate the working of the organization, and may provide a distinctive organizational competence. However, they can also represent a taken-for-grantedness about how things should happen which, again, can be difficult to change.

3. The rituals of organizational life are activities or events that emphasize, highlight or reinforce what is especially important in the culture. Examples include training programmes, interview panels, promotion and assessment procedures, sales conferences, and so on. An extreme example, of course, is the ritualistic training of army recruits to prepare them for the discipline required in conflict. However, rituals can also be informal activities such as drinks in the bar after work or gossiping around photocopying machines.

4. The stories told by members of an organization to each other, to outsiders, to new recruits and so on, may act to embed the present in the organizational history and also flag up important events and personalities. They typically have to do with successes, disasters, heroes, villains and mavericks. They can be a way of letting people know what is important in an organization.

5. Symbols are objects, events, acts or people that convey, maintain or create meaning over and above their functional purpose. For example, offices and office layout, cars and titles have a functional purpose but are also typically signal about status and hierarchy. Particular people may come to represent specially important aspects of an organization or historic turning points. The form of language used in an organization can also be particularly revealing, especially with regard to customer or clients. For example, the head of a consumer protection agency in Australia described his clients as "complainers". In a major teaching hospital in the UK, consultants described patients as "clinical material". Whilst such examples might be amusing, they reveal an underlying assumption about customers or patients that might play a significant role in influencing the strategy of an organization.

6. Power Structures: The most powerful groupings within an organization are likely to be closely associated with the core assumptions and beliefs. For example, in firms that experience strategic drift, it is not unusual to find powerful executives who have long association with long-established ways of doing things.

7. Organizational Structure is likely to reflect power and show important roles in relationships. Formal hierarchy, mechanistic structures may emphasize that strategy is the province of top managers and everyone else is working to orders. Highly developed structures may signify that collaboration is less important than competition and so on.

8. Control Systems, Measurement and Reward Systems emphasize what is important to monitor in the organization. For example, public service organizations have often been accused of being concerned more with stewardship of funds than with quality of service. This is reflected in their procedures, which are more about accounting for spending rather than with quality of service. In individually based bonus schemes related to volume are likely to signal a culture of individuality, internal competition and an emphasis on sales volume rather than teamwork and an emphasis on quality.

Undertaking Cultural Analysis

If an analysis of the culture of an organization is to be undertaken, there are some important issues to bear in mind:

1. The questions to ask, that is, some of the questions that might help build up on understanding of culture using the cultural web.
2. Statements of cultural values. As organizations increasingly make visible often carefully considered public statements of their values, beliefs and purposes, for example, in annual reports, mission or value statements and business plans, there is a changer that these are seen as useful and accurate descriptions of the organizational culture. But this is likely to be at best only partially true, and at worst misleading. This is not to suggest that there is any organized deception. It is simply that the statements of values and beliefs are often statements of the aspiration of a particular stakeholder such as the Chief Executive Officer, rather than accurate descriptions of the actual culture.
3. Pulling it together. The detailed map produced by the cultural web is a rich source of information about an organization's culture, but it is useful to be able to characterize the culture that the information conveys. Sometimes this is possible by means of graphic descriptions.

The cultural analysis is valuable in ways that relate to the management of strategy.

1. Strategic Capabilities. Research has made it clear that, historically embedded capabilities are very likely, part of the culture of the organization. The cultural analysis of the organization therefore, provides a complementary basis of analysis to an examination of strategic capabilities. In such analysis of capabilities should end up digging into the culture of the organization, especially in terms of its routines, control systems and the every day way in which the organization runs, very likely on a taken-for-granted basis.

2. Strategy Development. An understanding of organizational culture sensitizes managers to the way in which historical and cultural influences will affect future strategy for good or ill.

3. Managing Strategic Change. An analysis of the culture also provides a basis for the management of strategic change, since it provides a picture of the existing culture that can be set against a desired strategy so as to give insights as to what may constrain the development of that strategy or what needs to be changed in order to achieve it.

4. Culture and Experience. There have been repeated references to the role culture plays as a vehicle by which meaning is created in organizations.

Managing Influence of Culture on Strategy

Culture importantly influences the strategy of organizations. This leaves the challenging question of what managers can do about managing culture. Arguably, there is little to be done about managing culture. There is, however, a good deal written about the need to create or manage cultural influence on organizational strategy. This raise the question, or the challenge for managers, of just how realistic it is to be able to manage that which is taken for granted.

What is evident is that, if managers are to become path creators in strategy development, they need to be able to challenge, question and potentially change path dependent capabilities rooted in history and culture. To do this managers have, at the very least, to learn to be questioning of the very history that they have perhaps, been part of or that has led to their existing position. It should, therefore, be evident that one of the major requirements of a manager of strategy is to be able to encourage the questioning of that which is taken-for-granted. This may be possible through analytical tools. It is likely to require a management style, indeed a culture, that allows and encourages such questioning.

Organizational Strategy

Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences, with the aim of fulfilling stakeholder expectations.

The words strategy and strategic decisions are typically associated with issues like these:

1. The long-term direction of an organization.

2. The scope of an organization's activities.
3. Advantage for the organization over competition.
4. Strategic fit with the business environment.
5. The organization's resources and competences (Greiner et al,, 2003).
6. The values and expectations of powerful actors in and around the organization.

Exhibit 5: Strategic Decisions

Strategic Decisions are about
❖ The long-term direction of an organization
❖ The scope of an organization's activities
❖ Gaining advantage over competitors
❖ Addressing changes in the business environment
❖ Building on resources and competences (capability)
❖ Values and expectations of stakeholders
Therefore they are likely to:
❖ Be complex in nature
❖ Be made in situation of uncertainty
❖ Affect operational decisions
❖ Require an integrated approach (both inside and outside an organization)
❖ Involve consideration change

Exhibit 5, summarizes these characteristics of strategic decisions and also highlights some of the implications.

1. Complexity is a defining feature of strategy and strategic decisions and is especially so in organizations with wide geographical scope, such as multinational firms or wide ranges of products or services.

2. Uncertainty is inherent in strategy, because nobody can be sure about the future.

3. Operational decisions are linked to strategy.

4. Integration is required for effective strategy. Managers have to cross functional and operational boundaries to deal with strategic problems and come to agreements with other managers who, inevitably, have different interests and perhaps different priorities.

5. Relationships and Net Works outside the organization are important in strategy. For example with suppliers, distributors and customers.
6. Change is typically a crucial component of strategy. Change is often difficult because of the heritage of resources and because of organizational culture.

Level of Strategy

Strategies exist at a number of levels in an organization. These are:-

1. **Corporate-Level Strategy**: The top level is corporate level strategy, which is concerned with the overall scope of an organization and how value will be added to the different parts (Business Units) of the organization. This could include issues of geographical coverage, diversity of products/services or business units, and how resources are to be allocated between the different parts of the organization.

2. **Business-Level Strategy**: This second level is business level strategy, which is about how the various businesses included in the corporate strategy should compete in their particular markets. For this reason, business-level strategy is sometimes called "Competitive Strategy". In the public sector, the equivalent of business-level strategy is decisions about how units should provide best value services. This typically concern issues such as pricing strategy, innovation or differentiation for instance by better quality or a distinctive distribution channel. So, whereas corporate-level strategy involves decisions about the organization as a whole, strategic decisions relate to particular strategic business units (SBUs) within the overall organization. A strategic business unit is a part of an organization for which there is a distinct external market for goods or services that is different from another strategic business unit (SBU).

3. **Operational Strategies**: The third level of strategy is at the operating end of an organization. Here there are operational strategies, which are concerned with how the component parts of an organization deliver effectively the corporate-and business-level strategies in terms of resources, processes and people. Indeed, in most businesses, successful business strategies depend to a large extent on decisions that are taken, or activities that occur, at the operational level. The integration of operational decisions and strategy is therefore of great importance.

Conclusion

Cultural and institutional influences both inform and constrain the development of organizations. Organizational culture is the basic assumptions and beliefs that are shared by members of an organization, operate unconsciously and define in a basic taken-for-granted fashion and organization's view of itself and its environment. Thus, an understanding of the culture of an organization and its relationship to organizational strategy can be gained by using the cultural web, which shows the behavioural, physical and symbolic manifestations of a culture that inform and are informed by taken-for-granted-assumptions, or paradigm of an organizations.

Recommendations

The study recommend the following:-

1. As managers are faced with a stimulus for action, such as declining performance, they should first try to improve the implementation of existing strategy.
2. Organizations should endeavour to understand the influence of organizational culture on both current and future organizational purposes and strategies.
3. Organizations that operate internationally need to understand and cope with such differences that can manifest themselves in terms of different standards, values, and expectations in the various countries in which the operate.
4. Strategies can be shaped in organizations by the need for legitimacy in several ways such as through regulations, for example, standards and codes of behaviour specified, perhaps by a professional body, normative

expectations, that is what is socially expected, or simply that which is taken-for-granted as being appropriate, for example, the recipe.

5. Culture should in effect be the driver of strategy in organizations.

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