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Organisational culture and cultural change

Discover what's meant by the term organisational culture, the ways it can be measured, and the challenges of cultural change

Introduction

Organisational culture is an important concept for the people profession. The work of HR, L&D and OD influences and is influenced by organisational culture because every organisation is made up of human relationships and human interactions. Culture is therefore central to the role of the profession and must be managed and developed accordingly.

This factsheet explores the importance of creating an organisational culture that supports policies and practices aimed at making positive change. It outlines some common measures used to describe organisational culture, before highlighting why it's a topic of significant interest to the wider business community and associated professions. Finally, the factsheet considers cultural change and its challenges.

Explore our viewpoint on organisational culture in more detail, along with actions for government and recommendations for employers.

What is organisational culture and why is it important?

One of HR's fundamental roles is organising and coordinating the workforce to deliver value and success. HR systems and processes are part of this, but on their own are not enough for an organisation to make real progress. Taking inclusion and diversity as an example, research indicates that an organisation which fails to value difference, or enables some groups but not others to progress, is unlikely to see positive change,

despite having policies in place. Workplace norms, values and behaviours, traditions, perspectives and beliefs of individuals are also crucial. It's these shared characteristics among people within the same organisation that create it's organisational culture.

There are many academic definitions of organisational culture, including Balogun and Johnson's 'the way we do things around here' and Schein's 'the pattern of shared basic assumption - invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration - that has worked well enough to be considered valid and therefore to be taught to new members as the correct way to perceive, think and feel in relationship to those problems'. Denison's definition is 'the underlying values, beliefs and principles that serve as the foundation for an organization's management system as well as the set of management practices and behaviours that both exemplify and reinforce those basic principles'. See Further reading for these sources.

Culture matters because it offers a way for employees to understand their organisation, to voice their views, and to develop connections and common purpose. It's also important to continually assess that culture, as the organisation's purpose and values will affect the standard of its customer service and influence the engagement and retention of its people.

There's speculation that culture affects organisational performance, and some organisations have put great effort into changing their culture and structure to improve this. However, while managing organisational culture is increasingly seen as a necessary part of governance and management practice, research evidence on the link between organisational culture and performance is weak.

More research is needed to further establish links between organisational culture and positive outcomes, such as organisational performance, as well as to define reliable measures of organisational culture.

Is organisational culture different to organisational climate?

Academic research isn't consistent on the difference between an organisation's culture and climate. However, there are some useful distinctions to make.

Our Keeping culture, purpose and values at the heart of your SME research found that culture is about how decisions are made, from the top or in a distributed way, about the way things are done in an organisation. For example, whether an organisation

encourages its people to conform or to take risks, or whether it supervises or liberates its employees. Although cultures are rarely so polarised, these examples give a sense of the choices an organisation makes when establishing 'what we're all about'.

An organisational 'climate', on the other hand, is widely defined as the meaning people attach to certain features of the work setting. It's the feeling or atmosphere people have in an organisation, either day-to-day or more generally. The way an individual understands their workplace guides their behaviour. Creating an organisational climate of inclusion, for example, requires employees to attach meaning to their experience of work. Only when there's a shared belief that all employees are respected, valued and allowed to be themselves, will an organisation have a truly inclusive climate. So organisational climate can be described as the perceptions and meanings people give to the culture in which they work.

Clearly, culture and climate are linked and mutually influence each other which helps to explain why the two are often (wrongly) used interchangeably.

How is organisational culture measured?

Given that there's no universal definition of organisational culture, there's also no unified set of measures for it either. However, there are some key theoretical frameworks developed to understand an organisation's culture and tools used by consultants to support organisations in assessing or changing their culture.

Denison Culture Index

Denison defines four different traits of organisational culture which can be measured:

1. **Missio.n** Has the organisation a clearly articulated strategic direction and goal, as well as measures of success/key performance indicators.

2. **Employee involvement.** Does the organisation rely on employees to make decisions by empowering them and developing them, as well as enabling team working.

3. **Internal consistency.** Has the organisation got a set of values that are consistent and to which they visibly adhere.

4. **Adaptability.** Does the organisation focus on learning from competitors and customers, and how open is it to change.

The Denison index includes a mix of organisational and psychological constructs, which

are measured through a diagnostic survey. It's a common methodology used for measuring culture.

Competing Values Framework and Organizational Culture Assessment Instrument

Another framework commonly used by people professionals is the Competing Values Framework (CVF). It was devised in the 1980s and distilled through research down to 16 measures that describe business concepts such as training and development, planning and goal setting, evaluation and external entities, and readiness. The measures, termed the Organizational Culture Assessment Instrument (OCAI), were devised to help change the CVF, which originally focused on organisational effectiveness, into an organisational culture measurement framework. However, this measurement system includes other concepts, such as structure, leadership, practices and strategy, and ambiguity across the different measures means that defining a single dominant culture is difficult.

Organizational Culture Inventory

The Organizational Culture Inventory (OCI) consists of 10 themes and 120 questions, described as 'styles' that are used to describe two key concepts: a concern for people, and an emphasis on tasks. These are categorised into three culture clusters: constructive, passive/defensive and aggressive/defensive. Each cluster has sub-themes or norms. The OCI was originally designed with behavioural norms in mind, and not with other measures such as organisational effectiveness. As such it's considered by academics to be a more sophisticated, purer measure of organisational culture.

What is culture change?

Culture change has been described as 'movement from the current known state to a potentially unknown state'.

Organisation development practitioners have a crucial role in managing organisational culture, and specifically facilitating cultural change.

An effective approach to managing change is vital because evidence indicates that few change initiatives are successful. This failure can have a great impact on an organisation, both in their market position and the engagement and retention of employees. The possibility of failure is always present when an organisation undertakes cultural change.

Do culture change initiatives work?

A review by the Cochrane Collaboration found that high quality evidence on the effectiveness of strategies to change organisational culture is lacking. A major issue is that evidence fails to identify an agreed or clear definition of organisational culture, nor reliable methods of measuring it. There is a real need for evaluations of culture change initiatives to guide practice in making more effective investment decisions.

Risks and solutions

Given the evidence above, it's important to explore the issues that organisations and their people face when attempting to undertake cultural change, and, importantly, how these can be resolved. Murphy gives a short list followed by practical solutions in his article Culture change pitfalls and how to avoid them:

- **Avoid creating fanfare around culture change**: Announcing change at an event is more likely to concern employees, who fear the chaos it will cause, rather than excite them. Instead, take a more low-key approach and make small changes, such as appealing to the emotional element of change by enlisting change champions. Schein advocates thinking about culture change systematically, given that it may evolve from a small but effective change in behaviour. Through spending time talking about the need for change, its challenges and possibilities in small groups, employees will feel more confident engaging in the conversation.

- **Convey the need for change to the wider organisation**: Individuals in a small team take careful and time-consuming consideration before deciding to initiate change, which of course results in them rationalising and justifying this decision. However, this makes it hard for them to empathise with those who do not have the privilege of knowing what they do, and are hearing this news for the first time. To overcome this, use stories that allow employees to connect with the need for change. Allowing members of the wider organisation to understand this should allow them to see the benefits of change, rather than the negatives of an upheaval.

- **Grasp the informal organisation and networks of employees**: Failure to take advantage of these groups can be detrimental to the progress of culture change. Like change champions, ensuring that leaders of networks and employee resource groups are involved in the implementation of culture change is key.

In How do you change an organizational culture? Denning considers tactics leaders have historically used to bring about successful cultural change, and the difficulties they have faced. He suggests several Dos and Don'ts for leaders which fit well with those above.

- Do come with a clear vision of your direction for the organisation and promote this

throughout the workforce through storytelling.

- Do identify key stakeholders of the new vision and encourage the wider organisation to be continually responsive to the needs and desires of those stakeholders.
- Do define the role of managers as enabling their team and drawing on the full capabilities of talented staff.
- Don't begin by immediately reorganising. Instead, clarify the vision and ensure there are management roles and systems that support this vision.
- Don't parachute in a new team of managers. Working with the existing managers, and those who share your vision, will be much more conducive to creating shared values among the organisation.

These points make it clear that for everyone in an organisation to buy into culture change, leaders must better understand how to marry business needs with the human experience of change at work.

Further reading

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This factsheet was last updated by Jake Young.