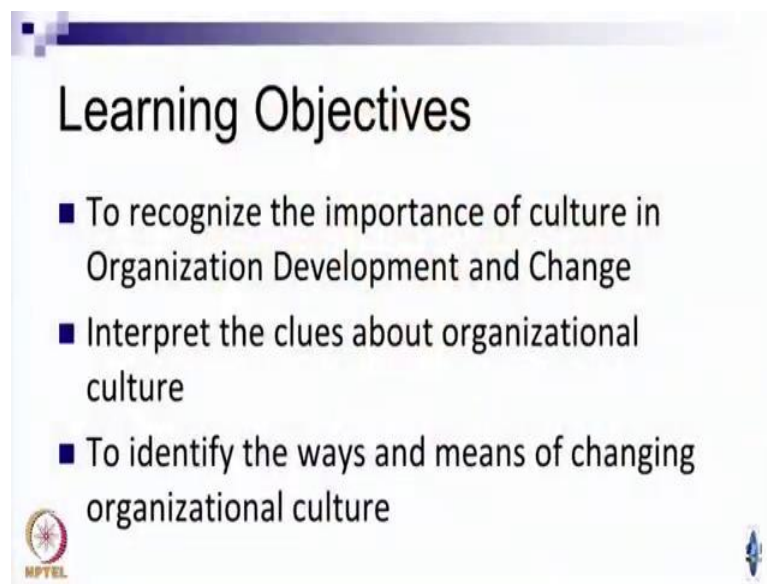


Organization Development and Change in 21st Century
Prof. Ashish Pandey
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Indian Institute of Technology, Bombay

Lecture – 20
Change in Organization Culture



In this session, we are going to look at a very important aspect of change that is Change in Organization Culture.

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Learning Objectives

- To recognize the importance of culture in Organization Development and Change
- Interpret the clues about organizational culture
- To identify the ways and means of changing organizational culture

In this session, we are first going to recognize the importance of culture in Organization Development and Change. Then we will interpret the clues about organizational culture that means, we will look at what are the constituents of organizational culture and how organizational culture is built through those constituents. And then we will discuss the ways and means of changing organization culture.

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What is Organizational Culture

Organizational culture is the set of shared values and norms that controls organizational members' interactions with each other and with people outside the organization.

How to decipher the organization culture?

- Organizational mission, vision, goals
- Organizational Leaders and Heroes
- Rituals and celebration
- Artifacts like sitting arrangement, physical infrastructure

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The first point is, what is organizational culture. So, organizational culture is the set of shared values and norms that controls organizational members' interactions with each other and with people outside the organization.

Famous scholar in the organizational culture Vijay Sathe says that organizational culture to the employees is similar to water for a fish. Fish probably does not know that it is in the water because that is the intimate reality for its existence. Culture is also so intimate to the employees of the or to the members of organization.

But, unlike fish, human beings can interpret organizational culture. How to decipher organizational culture? There can be certain quick clues on which we can decipher and identify the nature of organizational culture.

We will discuss about these factors in greater detail later. If I have to suggest a very quick way of getting some idea about the organizational culture these four or five points can give us a quick idea about the nature of organizational culture.

What are those? These are organizational mission, vision and goals, they are great messenger of organizational culture. Organizational leaders and heroes are probably the most important drivers of organizational culture. Organizational leaders may mean the founders of the organization and the top management team of the organization and heroes not only means people who are at the top level of the management in the organization, but

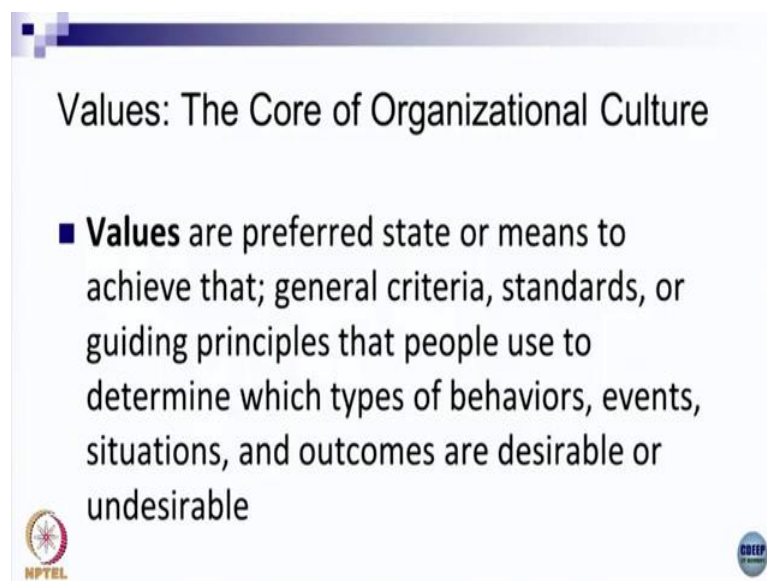
heroes are the people across the organization, the people who are considered to be heroes, the people who are considered to be the role models, people whose example is given across the organization.

If you want to quickly understand what is the nature of organization, you can ask who are considered to be heroes in the organization and that will tell the nature of the organizational culture. Hero in one organization may not be the hero in another organization. So, by looking at the heroes we can distinguish the organizational culture.

Another very clear manifested form of organizational culture are rituals and celebrations. How people greet each other, how people interact with each other, how people are involved in each other's work and personal life and how the celebrations take place within the organization or outside work, what are the things which are celebrated about, what are the things being celebrated in the organization, whether business success is celebrated or birthdays are also celebrated, whether celebrations are around some religious or cultural themes or they are only on the occasions which are strictly related to business – all these are the great indicators to understand the organizational culture.



Then comes the most well manifested things like sitting arrangement, physical infrastructure, these things give clues about organizational culture. So, we can quickly decipher the organizational culture looking at these factors.

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Values: The Core of Organizational Culture

- **Values** are preferred state or means to achieve that; general criteria, standards, or guiding principles that people use to determine which types of behaviors, events, situations, and outcomes are desirable or undesirable

The core of organizational culture are values. What are values? Values as name suggest is what is being valued, means what is being preferred. So, it is a preferred state or preferred means to achieve that state. May I repeat? Values are the preferred state or means to achieve that. Values are basically general criteria. They are standards or they act as guiding principles that people use to determine which type of behaviours, events, situations and outcomes are desirable or undesirable.

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Types of Values

- **Terminal value:** a desired end state or outcome that people seek to achieve.
Ex. excellence, morality, profit orientation
- **Instrumental value:** a desired mode of behavior
Ex. Frugality, creativity, fun

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Values can be of two types; terminal values and instrumental values. This classification was given by Rokeach in early 70s and it is still valid. What it says is that there can be two types of values. Terminal values means the desired end state or the outcome that people seek to achieve; what people pursue; what is being considered as something to be achieved or acquired like excellence, morality, profit orientation, all these are the examples of terminal values.

Then comes instrumental values. Instrumental values are the desired mode of behaviour, in other terms instrumental values are the values or preferred ways of achieving the terminal values. So, preferred ways of achieving terminal values are considered instrumental values like frugality creativity, fun etcetera. So, these two types of values whether they are stated or not stated are prevalent in the organization.

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Organizational Values: Few Examples

- **Tata Sons:** Integrity, Responsibility, Excellence, Pioneering, Unity
- **Infosys:** Client Value, Leadership by example, Integrity and Transparency, Fairness, Excellence
- **HDFC Bank:** Operational excellence, People, Customer focus, Product leadership, Sustainability

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We can distinguish the organizations according to their values as well. You, after this session, may like to look at the website of at least these three Indian organizations Tata Sons, Infosys and HDFC bank. In most of the organizations, they identify what are the values they stand for. I have picked up these three organizations because these organizations have a reputation of following certain values.

What is the meaning of reputation? Reputation means the espoused values stated by these organizations are something which they are serious about. So, that simply means the espoused value means what are the ideal values for them and the values as being reflected in their organizational practices and processes. The difference in these two are very small or probably there is not much difference in their espoused values and the values as being practiced. That is why these three organizations are taken as an example.

In India, there can be so many organizations and so many business groups which can be considered which are known as value driven, but for the sake of explanation we are taking only these three examples. First example is of Tata Sons. Tata Sons is a holding company of all the Tata companies or most of the Tata companies. So, Tata Sons has the values of integrity, responsibility, excellence, pioneering and unity.

These values are common across the Tata group. The huge conglomerate which has more than 110 companies, they all have these five as the guiding values. Integrity means they want to enact in a way where all of their actions are open for the public scrutiny. They

want to operate as an organization which is responsible for social environment as well as the natural environment. These are the organizations which pursue excellence in whatever they pursue.

Tata Sons also has value of pioneering that means they want to be known as innovative organization which can take bold decisions, which can invest in innovation, venture into new businesses and start new industry. Unity in Tata Sons means this organization has respect for their different levels of employees and they respect the dignity, they consider the dignity of employees as a paramount thing.

Now, looking at the record of Tata Sons of last more than hundred years, we can see that this organization and this group has to great extent followed these values. They are known to be one of the most transparent and corruption free organization in India. So, integrity value is being followed.

There are so many case studies about Tata Sons and Tata companies being responsible towards social and natural environment, they have been pioneering as well. That means they are the group which has started so many new businesses in India whether we can take example of TCS or more than 100 years ago the example of establishing steel foundry, all these and there are so many other examples which says that Tata Sons has been acting as a pioneering business house and business group in India.

Second example is of Infosys. Infosys has certain core values like client value, leadership by example, integrity and transparency, fairness and excellence. You can see that excellence and integrity are the common values in Tata Sons as well as Infosys. But you may also notice that when Tata Sons is a conglomerate Infosys is focused on IT – ITES company.

Infosys business is built on business process outsourcing, knowledge process outsourcing for their clients. So, for them client value is paramount. Their ability to create value for their client is the basis on which their own business model is based. That is why you can see the client value is considered to be the first and foremost important value in Infosys list of espoused values or organizational values.

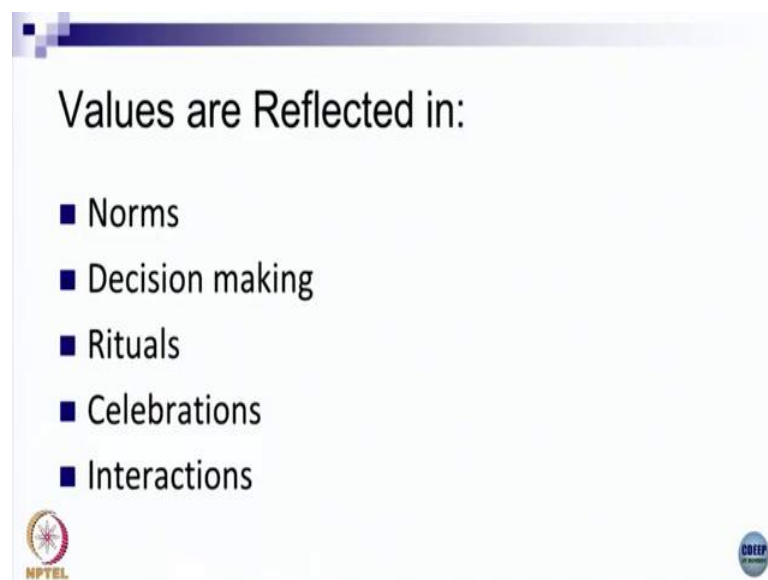
Third example is of HDFC Bank. HDFC Bank has values of operational excellence, people means concern for people, customer focus, product leadership and sustainability. If you

look at the HDFC values model on their website, you will see that they are reflected at the different facets of a quadrangle. That means there is no specific sequence in these values; means all these values are important for HDFC bank.

HDFC bank is the one which has achieved very high level of operational excellence. The maturity of their processes and systems is something which has become a benchmark for the banking industry.

They have come up with large number of innovative products and they are committed for the sustainability. So, looking at these values you can see that these values have been driving the organizational culture. These values became the core for the culture of these organizations.

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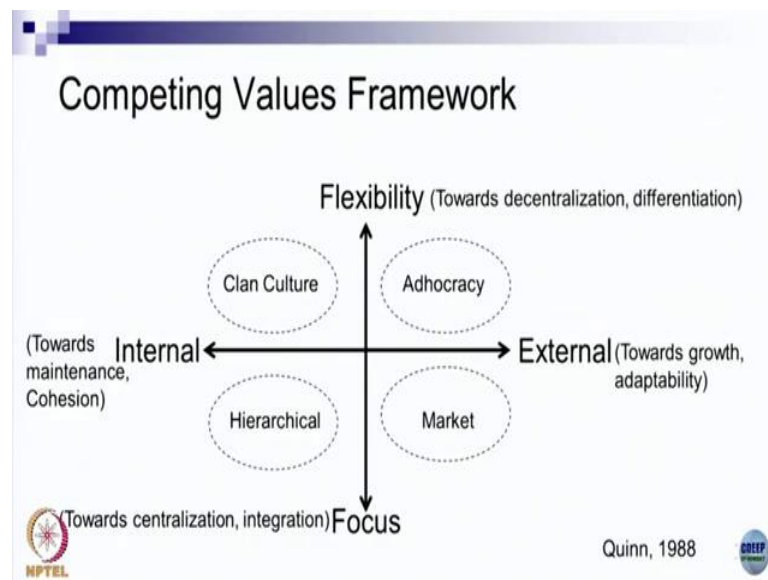
Values of the organization result in and reflected into certain norms. What is the meaning of norms? Norms are the notions agreed upon about our behaviour in certain situation. Values also direct and influence decision-making. In the field of business many times we face certain dilemma, we are not able to figure out what is the right course of action. In the moments of dilemma values become the guide post for making difficult decisions. Values drive the rituals.

As I explained to you before that as the values are, so the rituals are developed in the organization. Rituals can be very simple like calling people by the first name or addressing

them as sir or madam. Rituals can be about nature of the conversation taking place during the performance appraisal system. Ritual can be about whether people follow the punctuality when the team meeting is called or not. All these are the rituals.

They may not be the documented things, but they reflect the ways of doing things and that is why culture is also identified as the things being done in the organization. Celebrations, the kind of celebration, occasions of celebration are determined by the organizational values and the interaction. What is the nature of interaction? Is the interaction more of the cooperative nature? Whether the interaction is of more collaborative or competitive nature? All these things are being determined by the values of the organization.

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If we have to distinguish organizations based on values there is a very interesting framework given by Quinn and this framework is called competing values framework.

Competing value framework says that the values can be positioned at two continuums. One continuum Quinn says is the flexibility versus focus. Flexibility means more decentralization and differentiation and focus means more centralization and integration. So, flexibility versus focus is one continuum and another continuum is internal orientation versus enter external orientation. Internal orientation means orientation towards maintenance and cohesion and external orientation means growth orientation and adaptability.

So, the at the cross sections of these continuum emerge four distinct types of organizational cultures and that is the important contribution of the competing values framework. Organization which show values more towards flexibility and internal orientation are called clan culture. What is the nature of clan? Clan is where the behavior of the people is governed by their relationships.

For them the interaction and the quality of interaction in their relationships are very important and they are more inward-looking groups of the human being. That is why this type of value of the organization which is more towards flexibility and internal focus is called clan culture.

If organization is introvert or internal focus, but it is also towards integration and centralization where internal authority is more important rather than being flexible, but following the norms is more important, these organization have a hierarchical culture. They have internal orientation and focused towards internal norms, rules, regulations.

At the cross-section of the flexibility in external orientation meaning an organization which is centralized when there is more scope for mutual adjustment and differentiation, when there is more decentralization and organization is external focus means they are more focused towards market; means they are willing and they are more keen to satisfy the demands emerging from the external market, in these organization we see a type of culture which Quinn calls adhocracy. The signature element of adhocracy is more innovation, adaptability and a quick response to the market.

An organization which has good external focus means they are in touch and they are responsive to the market demands, but at the same time they have a strong centralized processes and systems and people follow those systems, those type of organizations are supposed to have market culture, means they are responsive to the customers, but their internal processes are strong.

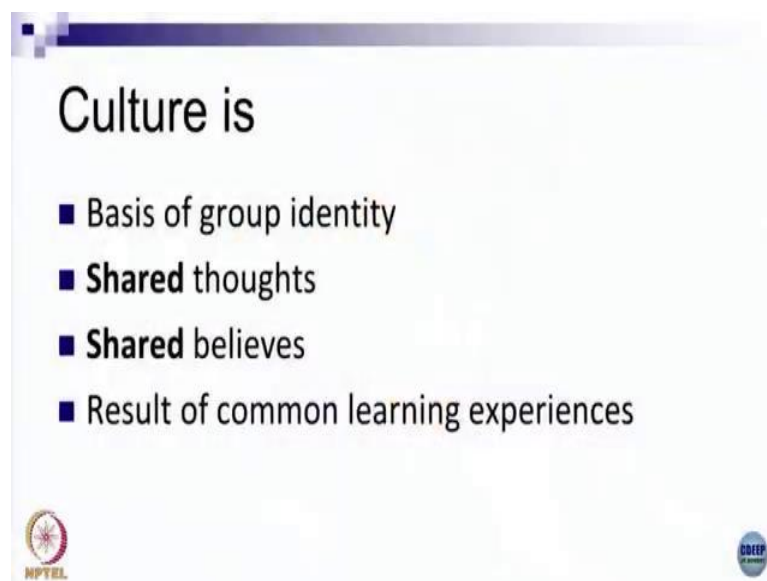
We need to understand that generally organizations start with clan culture. In a small organization generally, people come together with their passion to satisfy some societal need and they develop a good personal equation to build that organization, to establish their business in the marketplace. So, generally organizations start with the clan culture. When organizations grow, they need to have processes and systems rules and regulation and that is where element of hierarchical culture starts coming in.

Now, you see most of the organizations want to be market focused organization; that means, all the organizations at least aspire to be the kind of organization which satisfy the customer demand, which are very responsive to the market needs, but at the same time their internal systems and processes are also strong. So, most of the organizations want to have the market-oriented culture.

However, we must recognize that at least in India and it is reflected in the research being conducted by Richa Awasthy and Rajen Gupta of MDI Gurgaon. In last few years it is found that clan culture or hierarchical culture cannot straight away be converted into market culture. Generally, an organization which has a clan culture or hierarchical culture, need to develop adhocracy. They need to go through this stage and this kind of cultural transition in and then they can move to the market focused culture.

So, this is a quick way of understanding the organization culture based on the competing values framework.

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So, basically culture is the basis of group identity, its shared thoughts, its shared beliefs and you will notice that shared word is highlighted. Something which is not shared is not culture. And, the result of common learning experience. Culture evolves in the organization. The impact of the founder is very strong, but culture gradually evolves with the interaction of the internal processes and external dynamic situation in the market.

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Based on the prevalence of the values across the organization cultures can be divided into three types – strong culture, weak culture and fragmented culture. The strong culture means the espoused value or the recognized values widely shared across the breadth and the depth of the organization.

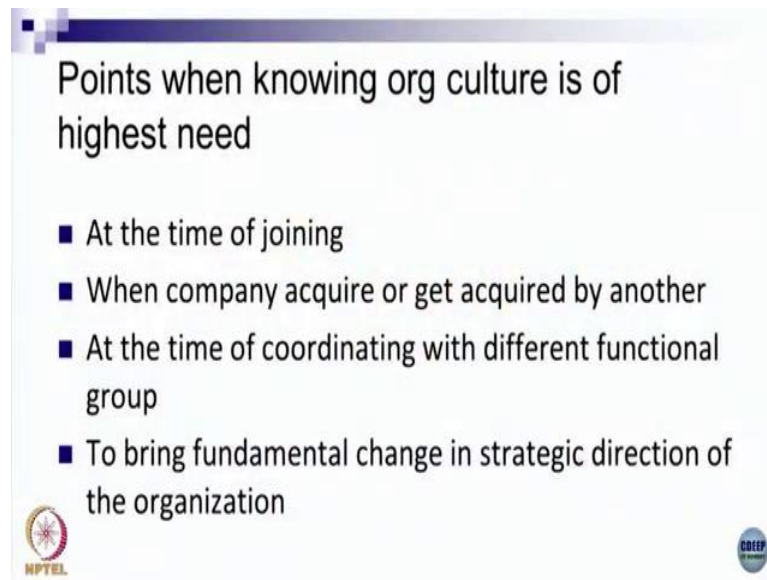
Weak culture is where though values might have been identified at the top management level, that might be appearing on the website, but they are not widely shared and reflected in the people's choices and behaviour, then it is called weak culture.

In between the strong culture and weak culture comes fragmented culture. Fragmented culture means, in an organization there can be multiple departments, multiple teams and multiple functions.

When in an organization in different teams, different departments and different functions, there are different types of culture and when that difference is very significant, we call that kind of organization to have a fragmented culture. In order to change organizational culture, we must understand whether culture is strong, weak or fragmented in any organization.

If we introduce an OD intervention without understanding whether culture is strong, weak or fragmented, our intervention may not give the desired result. We may not be able to choose the most appropriate intervention.

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Points when knowing org culture is of highest need

- At the time of joining
- When company acquire or get acquired by another
- At the time of coordinating with different functional group
- To bring fundamental change in strategic direction of the organization

NPTEL GRIEP

Why culture is important and when does it become even more important to understand ? And, that is the reason why it is an important component in the study of organization development and change. So, we must understand that culture and understanding and knowing about the culture is extremely important at the time of joining. I must know what is the kind of culture I am going to have when I am going to join this organization.

Amazon has a different type of culture, very performance oriented where number of hours you put in is less important according to certain media reports and your customer delight is much more important. There are some other organizations where you have a lot of flexibility and you have opportunity to put in your effort to build the new and innovative processing systems and products like Google.

So, there can be multiple types of organizational culture. I am not saying one culture is better than other culture, but whichever organization we are going to join we must know whether it is according to my temperament of working.

Secondly, culture is very important when one company acquires or get acquired by another organization. We are going to study the acquisition and mergers in the future session, but I must share at this moment that more than 60 percent of the mergers and acquisitions are not truly or fully successful.

What does that mean? It means they are not able to produce the results which were expected at the time when merger and acquisition was decided. Why it is so? According to the studies it is found that most of the mergers and acquisition are not able to give the desired and expected result not because of the financial reasons, may not be because of the strategic reason.

Strategic logic of the M&N might be correct before and after the M&N, but it is the cultural reason because of which merger and acquisition fail. So, when an organization is being acquired or acquiring another organization that is the time when understanding and addressing the cultural issue becomes extremely important.

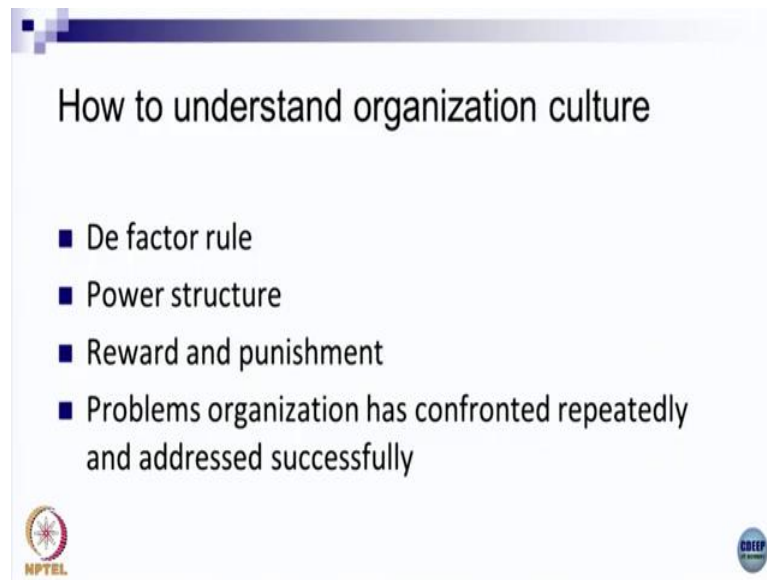
At the time of coordinating with different functional groups, I mentioned to you that different functional groups within the same organization may have very different culture in a fragmented organization culture system. Even in the strong culture system there would be some difference in the different functional groups that must be recognized for the different functional groups to cooperate and to work towards the one single organizational objective.

Last, but not the least to bring fundamental change in the strategic direction of the organization knowing culture is extremely important. When there is a fight, when there is a clash between strategy and culture it is a common wisdom that culture wins. So, you can have a very fantastic, very state of art, very sophisticated strategy, but if your culture is not supporting that strategy, strategy is not going to work.

We looked at strategy focused intervention in the previous session. There we talked about ways of forming new strategy and engaging people to identify the new strategy through confrontation meeting, through open space inquiry or sometimes even through appreciating inquiry people organizations can identify the different strategic direction. For a strategic direction to work upon, for strategy to work, to implement the strategy, right culture is important.

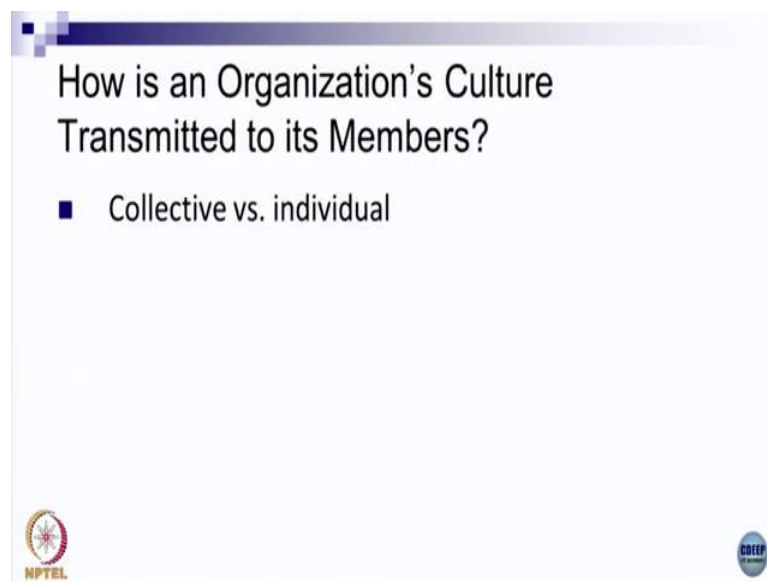
When culture is not supporting the strategy even if strategy is very sophisticated, we cannot hope that organization will be able to realize that strategy in the marketplace.

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There are certain de factor power rules, there are power structures, reward and punishment and problems organization has confronted repeatedly and addressed successfully. If we look at these things, we can understand the organization culture in an in-depth way.

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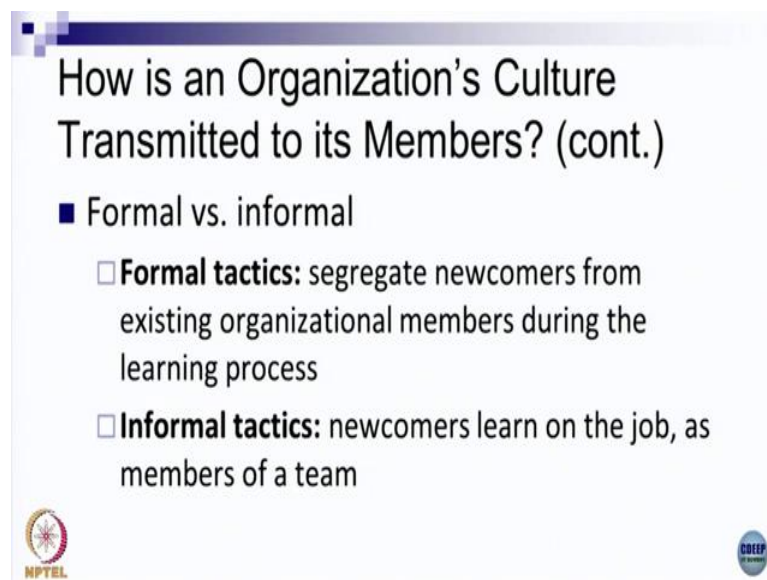


How an organizations culture is transmitted to its members? There can be different strategies by knowing these strategies transmitting organizational culture to its members, we can also bring desired changes in the organizational culture.

So, first strategy is collective versus individual; that means, providing newcomers with the common learning experience designed to produce a standardized response to a situation. That is the collective tactic of transmitting the organization culture. Individual tactic means each newcomer's learning experiences are unique, they join the organization, they have to figure out their way, they have to find out the best way of dealing with things and newcomer learn the new and appropriate response as and when they face the situation that is individual tactics.

If I at the organizational level wish a particular type of culture and particular type of values to be transmitted to its members, certainly we need to adapt the collective tactics of transmitting culture and transmitting cultural values to its members.

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How is an Organization's Culture Transmitted to its Members? (cont.)

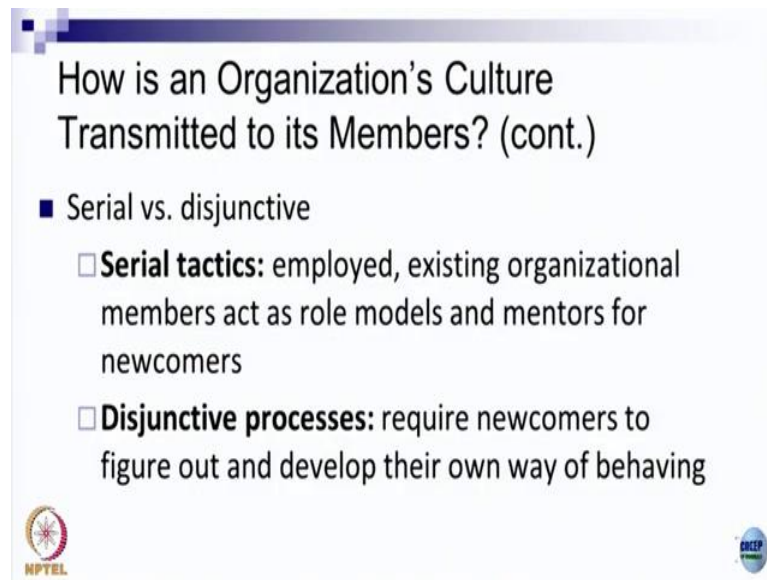
- Formal vs. informal
 - **Formal tactics:** segregate newcomers from existing organizational members during the learning process
 - **Informal tactics:** newcomers learn on the job, as members of a team

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Then comes the formal and informal ways of transmitting the cultural values to its members. Formal way means segregate the newcomers from existing organizational members during the learning process and give them a clear message individually.

Generally, top management itself interacts with the newcomers before they start interacting with the existing members that is a formal tactic. An informal tactic is when newcomer learn on the job as a member of the team. They join a team; they start operating with the other organizational members and gradually they figure out what are the organizational values.

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How is an Organization's Culture Transmitted to its Members? (cont.)

- Serial vs. disjunctive
 - **Serial tactics:** employed, existing organizational members act as role models and mentors for newcomers
 - **Disjunctive processes:** require newcomers to figure out and develop their own way of behaving

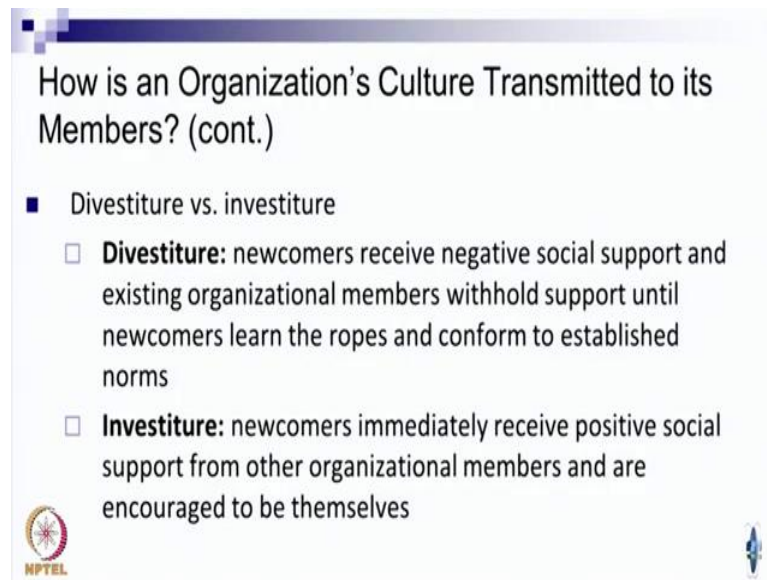
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There is another way of transmitting value, there is another choice about the transmitting organizational value that is serial versus disjunctive. What does that mean? It means employed existing organizational members act as the role models and the mentors for newcomers, that is the serial tactic.

And, the disjunctive processes require newcomers to figure out and develop their own way of behaving. If we want to continue certain type of culture and if we want some people to be the role models, we need to adopt the serial tactics where the existing organizational member act as the role model, coach or mentors for the newcomers and that is how the specific organizational values can be transmitted.

So, we need to know about these strategies and we need to adapt the right strategy to bring about any change in the organizational culture or to develop a certain type of organizational culture.

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How is an Organization's Culture Transmitted to its Members? (cont.)

- Divestiture vs. investiture
 - **Divestiture:** newcomers receive negative social support and existing organizational members withhold support until newcomers learn the ropes and conform to established norms
 - **Investiture:** newcomers immediately receive positive social support from other organizational members and are encouraged to be themselves

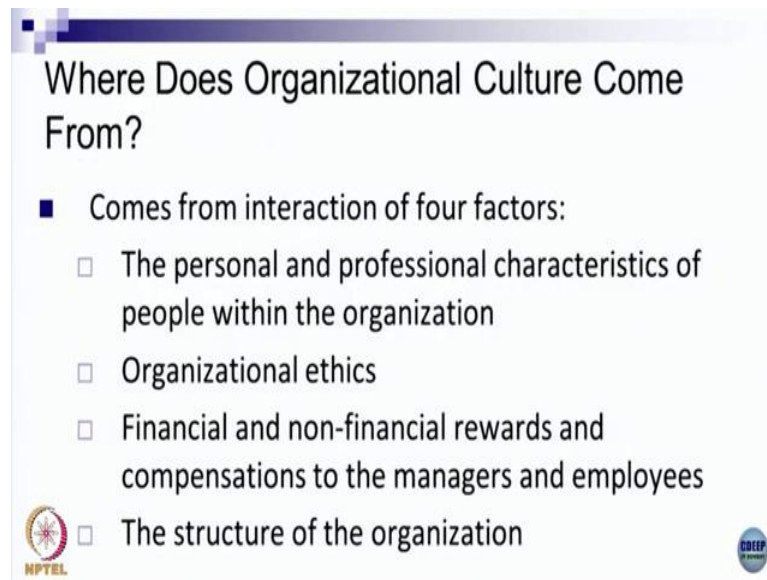
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There is another way of transmitting culture: divestiture and investitures. Divestiture means newcomers receive the negative social support and existing organizational members withhold support until newcomer learn the ropes and conform to established norms.

You have joined an organization and you realize that you are not very welcome here and you have to figure out your way. That is an extreme situation, but it is not impossible. In some organizations newcomers are not welcomed by the old employees. When that is the situation employees have to figure out and newcomer has to learn the ropes and confirm to establish the norms.

Investiture means newcomer immediately receive a positive social support from the other organizational members and naturally their experience about the organization and the organizational culture can be very different in this situation. So, we need to know these ways of transmitting the organizational culture to understand what kind of culture we are building and to appropriate ways of developing a certain type of organizational culture.

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Where Does Organizational Culture Come From?

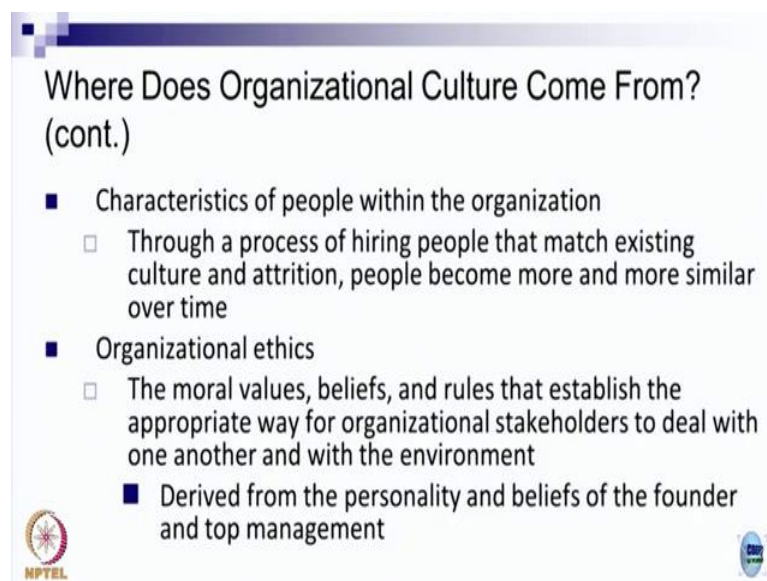
- Comes from interaction of four factors:
 - The personal and professional characteristics of people within the organization
 - Organizational ethics
 - Financial and non-financial rewards and compensations to the managers and employees
 - The structure of the organization

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Organizational culture comes from personal and professional characteristics of people within the organization; it comes from the organizational ethics; financial and non-financial reward and compensation given to the managers and the employees and the structure of the organization. These are the sources of organizational culture.

If we have to bring about any change in the organizational culture, we need to make changes in these sources of the organizational culture.

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Where Does Organizational Culture Come From? (cont.)

- Characteristics of people within the organization
 - Through a process of hiring people that match existing culture and attrition, people become more and more similar over time
- Organizational ethics
 - The moral values, beliefs, and rules that establish the appropriate way for organizational stakeholders to deal with one another and with the environment
- Derived from the personality and beliefs of the founder and top management

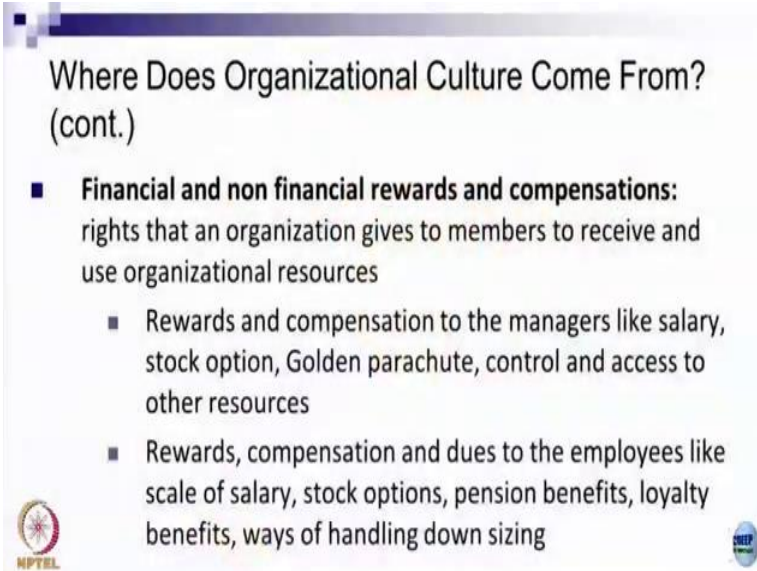
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Characteristic of people within the organization means it is through this process of hiring people that match existing culture and attrition. People become more and more similar over time. So, if we want to develop a certain kind of culture, we need to make this our hiring strategy and hiring process which facilitate the process of welcoming and having people who hold those particular type of values.

Then comes organizational ethics – people keep making sense of what the organization stand for. Even the simple clues about how the decisions are made, about how the processes are being followed or not followed, about how the reporting is done or not done, these things keep giving the ethical clues to the organization. They tell the moral stances about the organization.

So, organizational ethics is nothing, but the moral values, beliefs, rules that establish the appropriate way for organizational stakeholders to deal with one another and with the environment. It is derived from the personality and beliefs of the founder and top management; organizational ethics is a very important clue of the source of organizational culture.

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Where Does Organizational Culture Come From?
(cont.)

- **Financial and non financial rewards and compensations:** rights that an organization gives to members to receive and use organizational resources
 - Rewards and compensation to the managers like salary, stock option, Golden parachute, control and access to other resources
 - Rewards, compensation and dues to the employees like scale of salary, stock options, pension benefits, loyalty benefits, ways of handling down sizing

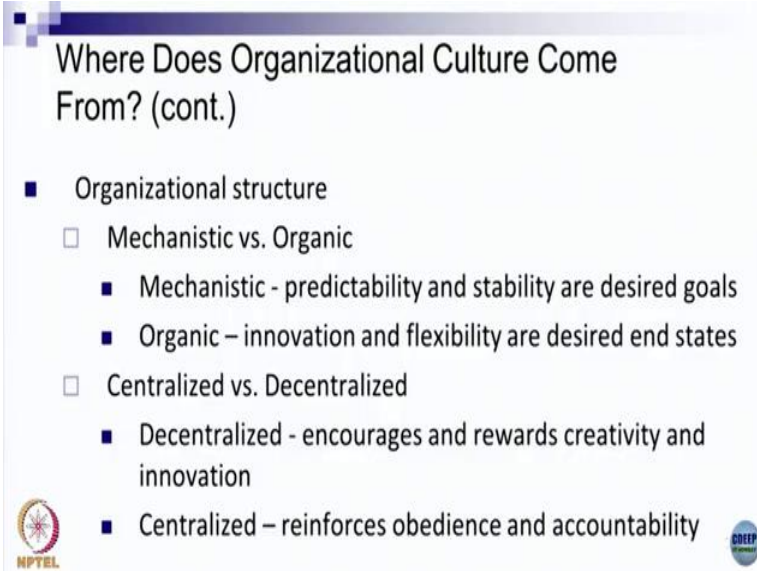
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Another very important source of organizational culture is financial and non-financial rewards and compensation. What is being rewarded in the organization is naturally promoted. The one function of compensation is to promote a certain type of behaviour. So, these are the very important clues. Reward and compensation to the managers like salary,

stock option, golden parachute, control and access to other sources. They are also certain clues through which we can understand strength and nature of organizational culture.

If we look at the employees reward, compensation and dues to the employees like scale of salary, stock option, whether they are given the pension benefits, are there any loyalty benefits, ways of handling downsizing. These are also the sources of organizational culture.

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The slide is titled "Where Does Organizational Culture Come From? (cont.)". It lists "Organizational structure" as a source, with two sub-points: "Mechanistic vs. Organic" and "Centralized vs. Decentralized". Under "Mechanistic vs. Organic", it states that mechanistic structures value predictability and stability, while organic structures value innovation and flexibility. Under "Centralized vs. Decentralized", it states that decentralized structures encourage creativity and innovation, while centralized structures reinforce obedience and accountability. The slide includes logos for NPTEL and CBEP.

- Organizational structure
 - Mechanistic vs. Organic
 - Mechanistic - predictability and stability are desired goals
 - Organic – innovation and flexibility are desired end states
 - Centralized vs. Decentralized
 - Decentralized - encourages and rewards creativity and innovation
 - Centralized – reinforces obedience and accountability

Another source of organizational culture is organizational structure. Mechanistic or organic structure determines a different type of organizational culture. So, mechanistic structure where things are much more predetermined, which are formal, which are more structured, predictability and stability is considered to be very important and are the most important goals.

Whereas, if we want to promote innovation, we need to have more organic culture. Or we can say that if the organization structure is organic then we can have more innovation and flexibility in the organizational culture. If organizational structure is very mechanistic, then the predictability, stability, following the norms, regulations will be more important and predominant elements in the organizational culture.

Similarly, centralization and decentralization is another very important component of organizational structure. If centralization is there it will reinforce obedience and accountability.

People will consider that following the instructions of the leaders and managers are more important than applying their own creativity and applying their own mind to the situation. But, when there is decentralization in the organization structure, that encourages the reward, that encourages creativity and innovation in the organization.

So, you can see that organizational structure communicates certain type of organizational culture.