

Organizational Culture and the Bottom Line

Case study

The Problem

Whether we like it or not, every organization has its own unique culture. While some choose to ignore it, and others try to defy it, wise leaders will attempt to understand it. Why? Because organizational culture can have an impact on the company's ability to implement a strategy, introduce new technology or increase productivity.

In the case of the XYZ Company, the dysfunctional culture was clearly impacting the company's bottom line. The 40 year old XYZ company manufactures polyester film for industrial use. A couple of years before our involvement with the company, it was purchased. One of the new owners was an engineer and became the president of the company. The other had a financial background and became the CFO. The partners' decision to purchase the company was based on projections of rapid growth and increased profits. The new owners believed that they could achieve their goals of increased productivity, acquisition of new customers and profit growth by creating a more disciplined, standardized production system. In addition, they planned to build the capabilities of the workforce and create a culture of employee input and problem-solving. Their vision of the future organization was one in which all operators would contribute their input to process improvements and trouble-shooting.

Shrinking revenues and earnings two years after the purchase led the owners to call us for help. They described frequent equipment breakdowns with no quick fixes, product quality issues, and high employee turnover. Not only were employees leaving the company, those who stayed seemed complacent at best and fearful at worst. Employees did not contribute suggestions for process improvements, nor did they help trouble-shoot when problems arose. The owners told us that they suspected the organizational culture that they had inherited was a major cause of the problems. In addition, they indicated that their own differences in leadership styles might be contributing to the difficulties. They contracted with us to assess their organizational culture.

Steps to Solve the Problem

Step 1 – We conducted a culture audit. The purpose of the audit was to identify how the culture helped and hindered the company's ability to reach its goals. Practically speaking, organizational culture is "the way we do things here." Culture is composed of the basic assumptions and beliefs that members of the organization share. Since these

beliefs generally function at an unconscious level, people within the business tend to take them for granted. Culture tends to be felt by those within it, yet remains invisible.

While it is obvious that companies vary in their look and feel, the nature of these differences often remains elusive and difficult to define. Thorough and useful assessments of an organization's culture generally require the efforts of those who are inside of the culture and live it every day partnered with the more objective perceptions and observations of someone outside of the culture. The outsiders are more likely to observe things that insiders take for granted. They can look for the surprises and unexpected events. The insiders can attempt to decipher what the events and surprises mean.

While some of the cultural markers are quite visible, others are below the surface and quite difficult to unearth. Edgar Schein, in his book *Organizational Culture and Leadership*, describes three levels of cultural markers as seen in the table below:

Artifacts	Those things at the surface of the culture; anything that one can see hear or feel; e.g. physical environment, language, technology, stories, myths, observable rituals and ceremonies. Usually easy to observe but not always easy to interpret.
Values	Things below the surface such as strategies, goals, preferred solutions, sense of what ought to be versus what is. Frequently easy to access in speeches, signs, interviews. However more difficult to observe in action. Many times organizations espouse values that don't hold up in actions. One of the most valuable contributions that assessors can make is to bring to the surface the discrepancies espoused values and behaviors.
Basic Assumptions	Taken for granted beliefs, thoughts, and assumptions. Usually unconscious and strongly held. Very hard to uncover, especially by those who are within the culture.

Our primary role as outsiders to the XYZ Company was to gather data about what was going on in the organization through systematic observations. We designed our assessment process specifically to address whether the culture was aligned with the company's strategy and goals. We collected information formally through interviews and

by reviewing company documents such as strategic plans, communications in the form of news releases, internal memos, newsletters, etc. In addition, we spent time chatting with people informally on the shop floor and in the break rooms. One of our primary goals as outside assessors was to note surprises, that is the events that we did not expect based on what the owners had told us about the organization.

Of course we depended on people inside of the organization to help us decipher or explain the meaning of the information, which we collected. As with any cultural assessment, we noticed things that internals were taking for granted. However, only people within the organization could clarify the meanings of the events and surprises. The following chart summarizes the roles that both we as outsiders they as insiders played in the cultural assessment process.

Outsiders' Roles	Insiders' Roles
Systematic observations through:	Partner with the outsiders by:
Interviews	Pointing us in the right directions for data collection
Company documents	Providing us with the relevant documents
Company stories, legends, and history.	Conveying to us the organizational stories, legends, and history
And to:	And to:
Work with the insiders to analyze what the data means	Decipher the meaning of the data with us
Push insiders to examine events and behaviors for the underlying assumptions upon which they rest.	Assist us in testing hypotheses and uncovering assumptions that reside within the culture.

We began with a formal assessment that consisted of interviewing a sample of employees representing all of the functions in the organization. We asked them the following questions:

Interview Questions
1. In general, how do you feel about working here? Like it, feel motivated to do your best because company has your best interests at heart, just a job. Would leave if you could find a better job.
2. How does your organization treat people?
3. How committed do you think the organization is to you? Your career growth? Helping you do a good job? Providing you with security?
4. Tell me what you like best about working for XYZ. Least.
5. How is work distributed and carried out here? Who makes the decisions? How are they made? Do you have an opportunity to provide input to how to improve work here?
6. How does the organization deal with work priorities?
7. How is information shared within the organization? Do you get enough information when you need it? Too much? Too late? What could be done to improve information flow here?
8. What kinds of things get in the way of doing you doing your best work?
9. What would help you be more productive, more motivated?
10. Do you feel part of the team here? If so, why? If not, what would it take to make you feel more part of the team?
11. Do you think that the managers are fair in their treatment of employees? Do they provide you with what you need to do your best work and feel motivated? Do they listen to your opinions?
12. What do you think of the company policies? Are they administered fairly? What kind of improvements would you suggest in the policies?
13. Do you understand the work goals and your roles in achieving them clearly?

We followed the formal assessment with informal observations. We noted factors such as the following:

- Physical layout of the plant and the offices
- Who attended meetings and where people sat
- The language and tone that people used in communicating with each other
- Who talked with whom and who initiated conversations
- Who had input to decisions and how the decisions were made
- Who had access to what information

As we observed, we asked people questions about why they were doing what they were doing. We also asked people to comment on the artifacts we were observing.

For example, we noticed that the president owner of the company usually sat at the head of the table during management meetings and did most of the talking. He tended to cut in when others were speaking in order to make his own points. The CFO owner tended to sit apart from the others. His only interaction during the meetings was to challenge the president owner. The body language exhibited by the CFO was clearly combative and aggressive. On the other hand, the president owner tended to exhibit very controlled body language. When we asked the owners to help us understand these observations, the president told us that he did not believe that the CFO knew anything about operations and should not offer his opinions. The CFO told us that the president did not respect his opinions. Therefore, he tried to be quiet. However, he would reach a point where he felt the need to challenge the president. The other managers explained that they sensed a great deal of tension between the two owners and merely tried to stay out of the fray.

We also noticed that the president's office had a window overlooking the shop floor. He tended to stay in his office and sit at his computer while he watched people on the shop floor. He would only go out to the floor in the case of an equipment problem. When we asked him why he stayed in his office much of the time, he said that he believed that his presence on the shop floor would squelch operator initiative. On the other hand, the operators told us that they believed he was aloof yet watched over their every move from his office. They said that he thought he was the only one who really understood how to fix equipment problems. Therefore, when the equipment broke down, they did not offer input, but followed his orders.

Step 2– We analyzed the data. Of course our data collection and our data analyses were intertwined to a great extent. As we observed, we asked the insiders to decipher, we looked for patterns and interpreted what we saw and heard. Nevertheless, at the end of our data collection, we analyzed all of our data thoroughly and systematically. First, we drew our own tentative conclusions, and then we met with insiders to discuss our conclusions and to get their take on the data.

The main themes that we found through our assessment process were:

- § **People liked their work but did not feel part of the XYZ company team.**
Each shift had its own team identity with very little crossover from shift to shift. The “old experienced” XYZ employees did not feel appreciated nor respected by the “new managers” brought in by the new owners.
- § **People were fearful and overwhelmed.**
The employees tended to be incapable of carrying out the procedures with the speed and accuracy, which the managers expected. They complained of inaccurate procedures and too little training. Yet they said that they were afraid to express these observations to management because they would be labeled as troublemakers or lazy or incompetent.
- § **People believed that their main responsibility was to do as they were told.**
The owner/managers made all of the decisions. Although they communicated their desire to gather input from others, they did not use the input. Therefore, employees stopped offering it.
- § **The culture tended to be secretive about information.**
The owners tended to keep information to themselves and didn’t share it even with each other. Likewise, managers guarded information, as did operators and other employees.
- § **The company was inconsistent in espoused values and rewards.**
While managers expressed the desire for employees to collaborate with them in process improvement and problem solving, they tended to show impatience with those who disagreed with their own approach. They rewarded those who did as they were told rather than those who offered input. Likewise, managers said that they wanted employees to follow standardized work processes, yet they allowed, if not encouraged, employees to do whatever it took to make the production schedules.
- § **The company suffered from an atmosphere of mistrust.**
Management applied policies inconsistently. They were perceived to have favorites. Various cliques comprised the organization. People did not feel respected. They believed that experience counted for nothing. The most experienced employees would not offer input because they felt that their opinions were not valued.
- § **The leadership styles of the new management team clashed with the older established culture.**
The new owners’ hard-driving, aggressive management style, clashed with the more relaxed culture established by the previous owners and managers. The previous owners had been satisfied with the revenue stream and profits. They had not been pursuing growth. Therefore, they had supported a more relaxed culture. While the new owners’/managers’ viewed their styles as more appropriate for their growth goals, the effect was to stifle input and collaboration.

§ **The adversarial relationship between the two owners contributed to a “confused” culture.**

All were aware of the problems that existed between the two owners. Frequently the two would give contradictory orders to the employees. As a result, employees weren't sure of what they were supposed to do. When the employees received contradictory orders, they tended to do nothing rather than to carry out either set of instructions.

Step 3 – We worked with management to develop a plan to address the cultural issues. Upon completion of the collaborative insider/outsider data analysis, we worked together to design solutions to the cultural issues that seemed to be preventing the owners from realizing their vision and the company from achieving its goals. The plan for addressing the issues consisted of the following:

§ First and foremost, the owners pledged to create an environment where people felt that they were all part of the company team. They decided to research profit sharing as a tangible way to demonstrate that “we are all in this together.” In addition, they committed to taking immediate steps to build rapport across the organization. They instituted communications meetings where they shared “big picture” company information with all shifts and entertained questions and suggestions for improvements.

They included an agenda item for their morning management and operations meetings in which they communicated the detail behind how and why they had made decisions. They planned various strategies whereby they could educate employees both formally and informally about how the priorities were impacted by customer demands and company needs.

§ Management pledged to make a concerted effort to win people over to the big picture changes that they desired, while also demonstrating respect for and leveraging the strengths that the experienced people brought to the table. They engaged us as coaches to help them learn the communications skills that would more clearly demonstrate respect for the opinions and ideas of others.

§ They decided to implement more structured orientation and training for new hires. In addition, they planned to design an on-going training program for the current operators to help them achieve higher skill levels. They decided to start by teaching them trouble-shooting skills

They also planned to provide management training to the other managers in the company. The training would focus on how to manage in a collaborative work environment, how to coach others and how to create a productive and motivational work environment.

- § They put a plan in place to address errors in procedures and to continuously review and update the procedures once they were corrected.
- § The owners committed to work with each other and one of our consultants on a weekly basis to address some of their interpersonal and relationship issues. Also, they set up daily communications meetings with each other where they could discuss their opinions and differences behind closed doors rather than in public. They promised to refrain from telling others of their differences. They resolved to show a united front to the employees and to eliminate the mixed messages and expectations.
- § Both of the owners committed to spending time on the shop floor each day listening to employees and talking with them about their vision for the company and how the employees fit into that vision.

Conclusion

Just as culture is not formed overnight, it doesn't change quickly. Nevertheless, the owners of the XYZ Company are committed to change. They tell us that they have gained a clear appreciation of how their own personal and interpersonal styles contributed to a culture that was not aligned with their vision and goals. They were asking others to change yet were unaware of the ways in which they needed to change to set the tone for a shift in the overall organizational culture. They are persistently following through with their plans to address the issues that are holding the company back. Of course as with every plan, they have experienced setbacks as well as successes in turning the company around. Yet they firmly believe that the culture, which they create in the company, is critical to its financial success.

References

1. Schein, Edgar. *Organizational Culture and Leadership*. San Francisco: Jossey-Bass, 1992.