LEADING ORGANIZATIONAL AND CULTURAL CHANGE

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When businesses and organizations are not making progress with particular challenges and goals, managers apply known techniques to solve the problem. For organizational problems which do not respond to these management techniques, leaders try to understand and influence the culture.

Every group or organization that has a shared history will develop a culture. Early in the life of a group leaders play a big role in shaping the culture. Later, the group culture plays a big role in shaping most things, including leadership itself.

When I meet past participants of our senior leadership programs, one of the sessions which they regularly rave about is “the Play”. Late in the program, my colleague Rob Burke gives the participants a ridiculously short period of time to prepare and present for us a play which involves everybody having a speaking role and which represents the current group culture. Participants love “the Play” (in retrospect at least) because they have so much fun, it is always so creative and it comes together with such incredible ease and alacrity. In ten years we have never seen the same play. Although the content of the play often reflects the culture of the group, it is actually these other features which better capture and demonstrate the generative dialogue and powerful culture which they, and to a lesser extent us, have created during the program.

My favourite memory from “the Play” involves a group which decided to use the story of the three little pigs and the wolf as the framework for their play. Soon they discovered that the senior Malaysian managers on the program were not familiar with the fable. Despite excruciating time pressure, the group found a YouTube video and they all sat down and watched it to bring everyone

up to speed. That act of inclusiveness spoke volumes to me of their group culture and inspires me to this day.

Lots of modern management books have succeeded in making organizational culture seem both too simple and yet more mysterious than it really is. It is now fashionable to talk about good and bad organisational cultures, and about the need to change the whole culture. Exaggerated sayings have become popular, such as “Culture eats Strategy”, which posit the pre-eminence of culture over all other factors. These trends can be very misleading. Thirty years ago Ed Schein wrote the book “Organisational Culture and Leadership” which is now in its fourth edition and which receives regular awards as one of the most influential management books ever written. It is still one of the most useful guides for leaders on organizational change and this article is based on it.

Ed Schein argues that leaders and organisations have two basic tasks in order to ensure on-going survival and success – adapt to external demands and changes, and maintain good internal integration through relationships and operations in order to perform well. Culture develops as part of addressing these tasks. Culture is a group’s shared learning, understanding and assumptions of what has worked well enough to survive and has led to enough success in the organisation in the past to be now considered valid. Over time this validity becomes assumed and largely uncontested and incontestable.

Organisational culture is neither good nor bad – it just is. It is born out of shared learning from past survival and success. Culture in an organisation is like personality or identity in an individual – there can be lots of variations and it can be very hard to change. It seems to me that if an organisation is surviving, being successful, adapting well to external demands and integrating well internally, then it has a culture which is doing its job. If the business or organization is experiencing specific and intractable problems related to external adaptation or internal integration, then it is probable that there are aspects of the prevailing culture which are getting in the way.

In the early life of an organisation the culture is created by the original leader or leaders, and the name of the game is consensus. As an organisation grows the culture is passed on to new members through values and practices and

protocols. In the mature stage of an organisation, culture can become invisible and it tends to shape everything including leadership. If shared learning has not continued to evolve, the culture now can start to cause problems and get in the way of necessary adaptation.

Ed Schein argues that there are levels of organizational culture. The first and most visible level he calls Artefacts and this includes structures, symbols and processes. It is not easy for an outsider to decipher the meaning of these visible artefacts. Both the Egyptians and Mayans built pyramids, but in one culture they were largely tombs and in another they were temples. I have been working with the leadership group of one of the oldest and largest secondary schools in Melbourne, Australia. On my first visit I noticed that it still called itself a "High School" while many others now called themselves "Secondary Colleges" I was struck by all the photos of old male Principals which adorned the reception and all the memorabilia about the Wars. I started to think this might be a conservative organisation, maybe a little fuddy-duddy. But then I heard about its innovative educational model based on a "school within a school" and how other schools came from all over the Australia and the region to observe it in action. Artefacts are visible to all but their meaning may not be obvious.

The next level of culture is Espoused Values and Beliefs. Some of these values and beliefs are actually lived and can be observed in action. Some of them are espoused but they not lived or not all the time. In such circumstances it is easy to accuse the organisation of hypocrisy and to question the original commitment. Sometimes this is the case but it is not necessarily true – as we will explore shortly, the espoused values may be in conflict with the third level of culture which is Underlying Assumptions. I witnessed examples of this gap in espoused and lived values on one of my first management education assignments twenty years ago when I was involved in a development program conducted for the Institutional Banking Division of a major Australian bank.

The CEO of the bank had a reputation for being a conservative and reliable accountant leading a well-managed, profitable and slightly dull organisation. On the first day of our program there were more gentlemen in expensive suits sitting at the back of the room observing the appropriateness of our program than there were actual participants. It was intimidating but not surprising given

the values of the bank. What was surprising and a relief to me was that after day one the involvement of the suits was very light touch. We conducted the program throughout Australia and in London and New York, and it is only a small exaggeration to say that we were not bothered by the umpires again. We could have taught anything we liked. One program for foreign exchange dealers was completely uncharacteristic of the other polite cohorts and involved the most unruly bunch of cowboys I have ever tried to teach. One of the alumni of this unhappy program subsequently joined two other dealers from the bank in being sent to jail for corrupt practices. We started to suspect that the bank was a "tick and flick culture" where responsibility was passed along. Ironically this was exactly the phrase used in a later Australian Prudential Regulatory Authority report on how this particular bank lost six billion dollars on a loan scheme in the USA, which also cost the CEO his job.

Underlying Assumptions are the third level of culture and they are unconscious taken-for-granted beliefs, perceptions, thoughts and feelings which are the ultimate source of lived values and actions. The best way to uncover these underlying assumptions is by addressing specific problems. The presenting problem might be lots of conflict, heated argument and debate in the management committee. The underlying assumption might be that ideas and initiatives are only true and valid if they have been vigorously debated and only proposals which survive the furnace are worth pursuing. Academics often behave this way – it is an intellectual strength, but it can get in the way of collaborative behaviour when it is needed.

There can be strong sub-cultures form in organisations too. These can be built around geographic locations, or functions or professions or earlier merged entities. These sub-cultures can enhance adaptation work and even be more advanced than the dominant culture in doing this. But they can also get in the way by causing communication problems, conflict or resistance. A classic professional sub-culture is that of Engineering, one which has a big influence on management because engineers are so well represented in those ranks. Some of the core beliefs of the engineering culture can include: nature can and should be mastered; operations should be based on science and available science; the most fun is solving puzzles and overcoming problems; solutions should be oriented towards elegance, simplicity and precision; people are the

problem – they make mistakes and hence should be designed out of the system whenever possible.

I once worked with the client Honda and it was explained to me that Honda almost missed the inexplicable (to me) SUV revolution because its engineers and designers refused to create something so ugly (a view I understood). One of my first jobs was working as an advisor to a tenant self-management council on a high rise public housing estate where the state government was upgrading the buildings. For twenty four hours on one weekend and without any warning to residents all the estate was without water. I ranted and raged against the engineer in charge. To his credit he remained polite but he looked puzzled and he counselled me that I "seemed to be taking a sociological perspective". After I calmed down I realised that because I was talking about the impact on people, the engineer honestly considered that this was sociological and not part of his technical remit.

Leaders both embed their own beliefs in the organisational culture, and at other times they attempt to influence and change the culture. Some of the primary mechanisms which leaders use to embed their beliefs include: what they pay attention to, measure and control on a regular basis; how they react to critical incidents and organizational crises; how they allocate resources; role modelling, teaching and coaching; how they allocate rewards and status, and: how they recruit, select, promote and excommunicate. Some of the secondary mechanisms used by leaders include: organisational design and structure; organisational systems and procedures; rites and rituals in the organisation; design of physical space, façade and buildings, such as courts which are often tall columned buildings to remind visitors that they are small and the law is big; stories about important people and events, and; formal statements of philosophy, creeds and charters.

Ed Schein urges caution by leaders who set out to influence and change the culture. He argues that if leaders set out to the change the whole culture they will end up in a fog. It is best to focus on cultural change in the context of a specific problem or challenge. It is best to help the people involved to discover their own basic assumptions that are at play. It is best to focus on behaviour change. And it is not wise to go to war against your culture. Try to build on other more helpful aspects and assumptions of the culture to assist with this

particular change. There are times when leaders give up on all this finessing and simply remove a whole group of people. I have seen this happen and it can certainly disrupt the organizational culture given that culture is a shared understanding between people with a shared history. But apart from being rather harsh and risking throwing the baby out with the bathwater, it still leaves the leader with the challenge of building a productive culture.

To lead cultural change can be difficult because challenging shared assumptions will cause anxiety. Shared basic assumptions that make up the culture in a group can be thought of at both the individual and group level as psychological cognitive defence mechanisms that permit the group to continue to function. Participants who have engaged in the Big Assumption exercise on our leadership programs will know how gut wrenching this process can be. Lots of leadership techniques such as Double Loop Learning, Frame Breaking and our own Leadership Insight Dialogue can assist with these changes. But it is still an intrinsically difficult task because the act of re-examining basic assumptions temporarily destabilizes our cognitive world releasing lots of basic anxiety. Leaders need to have strong relationships with their people if they are to be trusted to guide them through this process.

To be change agents, leaders need to focus continually on building the adaptive, collaborative and creative capacities of their people. It is a core challenge for leaders to ensure that the shared social learning about what works in an organisation does not stagnate but continues to evolve and is “fit for purpose” in a changing world.