

STRATEGY AND CULTURE

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Abstract: This paper intends to present a synthesis of main literature written in the field of strategy and culture. First we have the general definitions and approaches and second, we try to focus more on the collective perspective that considers the organization as a culture, a system of shared significations, and a filter of knowledge. The outline follows the links between culture and strategy formation, culture and strategy implementation, culture and strategic changes, and finally the link with other elements that influence the pair culture-strategy.

Keywords: culture, organizations change, strategy formation, strategy implementation.

1. Introduction

In the last decades the concept of culture gained more and more attention from theory and practice. This review of the main literature on organizational culture makes it clear that culture is primary for a faultless company change and aggrandizing the worthiness of human capital.

Although the concept of organizational culture was put on the map in the beginning of 1980s, its base can be found in the 1940s. In the late 1970s, a freshened interest in organizational culture emerged, bringing new perceptions and appreciations about the function, relevance, and features of organizational culture.

Enhanced competition, stronger globalization, company alliances, and human resource developments have created a greater need for fitting culture with strategy and strategy with culture.

Culture, this invisible side of an organization that was used to explain a lot of economic and social aspects, received some interest from strategy's domain too. The link with strategy was inevitable and at the beginning of 1980s, strategy and culture becoming more and more an important theme. To highlight this, Salmans (1983) wrote: "Management is an art not a science, and while a carefully shaped strategy may make or break a company, the corporate culture may make or break the strategy."

We can approach culture from different points of view and as a result we will have different relations with strategy. The scope of this study is to synthesize the main literature written in the field of strategy and culture. The reminder of this paper proceeds as follows. The next section gives some general definitions and approaches regarding culture and strategy. Section three tries to focus more on the collective perspective that considers the organization as a culture, a system of shared significations, and a filter of knowledge. Here we develop the links between culture and strategy formation, culture and strategy implementation, culture and strategic changes, and finally the link with other elements that influence the pair culture-strategy. Section four summarizes and concludes the paper.

2. Definitions and Approaches

In time, many definitions and approaches for the concept of organizational culture were in vogue. Almost the same thing happened with the strategy also.

2.1. Culture

Culture started to be taken into consideration at the beginning of the twentieth century, when authors like Barnard and Mayo, Lewis Strauss and Malinowski wrote ones of the first essays on this theme; further, sociologists like Max Weber and ethnologists like Erving Goffman, developed this notion in their fields. In the same time, culture conquered a big interest in management as well.

In time, culture was defined in various ways but in essence, it was described as an complex of shared beliefs, values, assumptions, significant meanings, myths, rituals, and symbols that are held to be characteristic for every organization and as mentioned by Green (1988), “culture constitutes the subjective, intangible side”.

The definitions become more and more comprehensive and complex, and often becomes a theory about how culture is created and transmitted. A widespread definition is that of Schein (1984): “Organizational culture is the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have 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 relation to those problems.”

Many writers have adopted the contingency structural-functionalist perspective. From this point of view, culture is a normative glue (Tichy, 1982), or collective mental programming (Hofstede, 1980) that binds the organization together through values that ensure that people are committed to their designated tasks. For Ouchi (1982), “culture is a way of reconciling a divergence of interest between individuals and the organization that is not adequately handled by the market or by a bureaucratic structure”.

Culture was distinguished as a “contingent variable in the process of strategy formulation” (Ansoff, 1981). Generally speaking, this approach analyses the impact of the national culture on the companies, on the companies’ management and strategy.

Another approach is the normative structural-functionalist perspective. From this point of view, organizations have a culture, a source of identity, and this culture influences the strategy formation and in the same time represents the tools for strategy implementation. Culture is something that we can modify in order to enforce the strategy; the CEO is the one who defines culture. Peters and Waterman (1982) adopted this perspective.

From the collective perspective, the organization is a culture, a system of shared significations, and a filter of knowledge. Conflict theory perspective doesn’t see any more the organization as a whole, but as a plurality of vested interest groups and power basis; organizations are viewed as multicultural rather than unitary. Even if not directly, the conflict theory sees another risk that can emerge regarding the culture – it can be conceptualized as an ideology and is most advantageous for those in power.

2.2. Strategy

If we'll have a look through the literature of the last decades we'll see the importance of "strategic management" and "strategy". The two concepts, albeit not synonymous, are often counted in this way. Strategic management is an academic domain of study, and strategy is the leading topic of study (Schendel, 1994).

Mintzberg (1990) has been created an encyclopaedia of strategic management research, detecting ten "schools of thought" that have evolved during the 1960s. Henry Mintzberg, Bruce Ahlstrand and Joseph Lampel (1999) say that "ten deeply embedded concepts typically dominate current thinking on strategy. These range from the early design and planning schools to the more recent learning, cultural and environmental schools".

Whittington (1993) suggested that "the classical conception of strategy is espoused by Porter may not always fit comfortably in other cultures. But, a discourse based on an American business culture, which respects profit, values technical procedures and regards the free market, has to be taken seriously".

3. Does the Culture fit Strategy?

When we deal with corporate culture, we are interested to measure its strength for a special firm and to identify its type and for this is needed an adequate instrument for an evaluation.

The factors that are influencing the force of the corporate culture are doing this by affecting the people's behaviour, but in the same time, they are generated by this behaviour. Thence, corporate culture round into form after all these factors, and, at the same time, corporate culture arises from them.

3.1. Culture and Strategy Formation

Corporate culture cannot be controlled or fast leded through instruction orders, but, in time, it can be managed in order to sustain the strategic business objectives. For a long time, many business leaders failed to understand the important association that exists between corporate culture and the continues prosperity of the business.

Researchers have demonstrated that a relationship between business strategy and organizational culture exists. One proposal is that business strategy and corporate culture are basically synonymous, because they are both "deeply ingrained patterns of management behaviour", and they both "emerge out of the cumulative effect of many informed actions and decisions taken daily and over years by many employees" (Greiner 1983 in Weick 1985).

To set off, Saffold (1988) considers strategy formulation as an outcome of corporate culture. Also for Green (1988), the perception is that strategy is found as emerging out of culture even though it has the capacity to change it. Opposite to this, the social-action approach considers that strategy enacts culture; strategy becomes an integral element of culture.

Joyce and Slocum (1990) suggest that the firm's "strategic position and environment" may be determinants of corporate climate, considered by others to be similar to the organizational culture (Pettigrew 1990).

The strategic decision making process has been described by several researchers as subsisting in several stages that can be used to examine the influence of organizational culture

on strategic decisions. The cultural products directly or indirectly shape the stages of strategic decision-making.

We learned about limited rationality from Simon and discovered it in the paper of Prahalad and Bettis (1986) - “The Dominant Logic: a New Linkage between Diversity and Performance”, indirectly because managers of diversified firms are limited by this dominant logic, which is determined by their experiences.

For Linda Smircich and Charles Stubbart (1985), “the nature of what constitutes adaptation can be stated only retrospectively, never prospectively”. For Prahalad and Bettis, the dominant logic allows the organization to “anticipate” the environment. Even this is a big difference in direction, Prahalad and Bettis recognized that this ability has some limitations – for organizations, the anticipated environment will be similar with the past and present environment, not with the actual future.

Reading this article we cannot make some links with other works, and describe some general description: the environment is complex, changing, the dominant logic is based on “past experience”, the dominant logic is “cognitive psychology” which means that people rely on a limited number of heuristic principles which greatly simplify the decision process and can result in significant errors. A link that can be made is with the work of Kets de Vries – in both papers, the authors are focused on the top management, but if Kets de Vries mentioned the fact that he studied the companies with problems and where the power is centralized, Prahalad and Bettis referred to both, performing and less performing companies, but they have another limitation, they are strategically similar businesses.

Hedberg and Jonsson in the article “Strategy Formulation as a Discontinuous Process” attract our attention to the fact that how important is the way of perception of reality and not the reality itself. In their point of view, myths are the results of interpreting reality; they are a theory of the word.

An interesting observation is the fact that myths help the organization to adapt to their environment and also create the environment. Here we find together the structural functionalism approach, which considers that the relationship of culture with the environment is one of adaptation and also the case of Weick’s enacted environment.

Even in the title, the strategy formulation is named discontinuous, they don’t consider this; rather the changes are often discontinuous because they involve complete shifts in the way organizations perceive and interpret the world.

For the first time we encounter the concepts of transition from one strategy to another strategy that is seen as important for the company survival and also the notion of evolution that means the order of change that influence the process of change.

Another contribution regarding the concepts in this field is the wave patterns of myths that are similar with life cycles from the economic theory. The crisis of one myth transforms in an enthusiasm for a solution and in this way contributes to the strategy formulation. The conclusion is that the new strategy is based largely on emotional or speculative arguments.

Even if Green discussed the term of rationality also, Hedberg and Jonsson look at this concept from a different angle. They see the strategy formulation process as the interaction between rational analysis (cognitive) and emotion (fantasy, will, creativity); the interaction between these two results in the discontinuities of the strategy-formulation process.

3.2. Culture and Strategy Implementation

We know that a creative disorder can facilitate the formulation of a strategy but the strategy embodiment demands order, keeping the timeline, motivation, and monitoring process. The implementation of the strategy seems to be an insurmountable obstacle. Andreas Raps (2004) in the article *Implementing Strategy*, proposed four-success key factors that should be taken into consideration when a strategy is implementing.

3.3. Change – a Cultural Risk

The problem that always arises when we talk about culture and strategy is if the change occurs, a well-established culture is capable to support a strategic change in organization? Culture is seen to be a source of homogeneity, of integration of individuals, and a source of stability. How can we use all these characteristics when the change appears?

An important element in this framework is the motivation of the employees that sets the feasibility and potency for a significant change in a company. Managers should evaluate their present culture, understand the steering role in the change process, and assimilate skills to lead their companies to higher performance. Knowing that the corporate's current culture is quite fixed, it is beneficial to check if the existing culture is compatible with other organizational elements such as: configuration pattern, systems, and human resources.

In their article "Matching Corporate Culture and Business Strategy", Schwartz and Davis (1981) adopted the concept of risk, used frequently in the fields like finance and investments, and they developed the notion of cultural risk. The main idea is change when a "particular strategy is likely to meet stiff resistance". They ratiocinate that it often make a point to change the strategy in order to fit the existing culture, although culture can, and in some instances must, be changed.

To demonstrate the action consequences of managing the firm's culture, Schwartz and Davis (1981) emphasises four typical strategies that companies might chase and the "right" organizational approaches to implement them; in each case, none of the "right" organizational approaches is consistent with the company's culture; they also suggested substitute corporate approaches that are more compatible with the culture.

For Christian Scholz (1987), the answer is to change the strategy and not the organizational culture. His view takes into account that "it is a hard, expensive, and tedious task to change a corporate culture, especially if it is a strong one". Therefore, it is easily to change the strategy, renew or adapt it according to the established corporate culture.

In his article "Strategic Myopia: Culture as an Invisible Barrier to Change", Lorsch approached the issue of change from the top management point of view. The "magic formula" to change for him is flexibility. Like in the work of Kets de Vries, top management is who have the power and this power is used to change or is a problem for changing. Lorsch sustains the importance of the culture for the success in a stable environment but in a turbulent one. In his work he sustained the idea that culture is the base for corporate success because it provides guidance to managers as they made complex decisions.

Somehow, Green supports this idea but he added that if we will apply a particular excellent culture of a company to other circumstances would not necessary bring success. Green is against finding some universal attributes of excellence, as did Peters and Waterman that give eight golden rules of excellence in their book "In Search of Excellence" and Deal and Kennedy in "Corporate Culture: The Rites and Rituals of Corporate Life".

4. Summary and Conclusions

This paper proposes to analyse a association between strategy and organizational culture, based on an examination of a selected related literature.

On the one hand, this study tries to clarify the dissimilarities between the manner in which the concepts of culture and strategy were defined. We have tried to explain how culture influences strategy formation and implementation and how the relation between culture and strategy affects the companies' change.

When we do such a research, it is difficult to be a part of a cultural context and to investigate it. In the same way, when researching corporate cultures, it is also difficult to overlook and criticize one's assumptions and values.

At the end I can say that culture, like art, is difficult to define, but enjoyable to think about¹.

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