Culture, leadership, and power: the keys to organizational change

General Motors, IBM, and Sears: three companies facing a need for dramatic change that have already tried, but failed, at major change efforts. Judging from what I’ve read about these three companies in the business press recently, I’m inclined to believe they are unaware of the current ideas on organizational change--including the successful efforts of many large corporations---that have been appearing in the change literature.

The most important idea of all for companies like GM, IBM, and Sears is that those pushing for organizational improvement--whether they are external members of the board, major investors, or top executives--must deal with cultural and behavioral obstacles to change. Specifically, attempts at organizational change must consider three key features of organizational life: the firm’s culture, the leadership of the change effort, and the existing network of power.

In this article, I discuss first the importance of dealing with organizational culture. My key point here is that rather than changing culture directly, management must work with and through the existing culture to transform the organization. Whether the culture itself changes is secondary; the important objective is to improve the company.

The role of leadership in organizational change is my second key topic. Here I build on the discussion of organizational culture to reveal (1) the role of leadership in dealing with culture and (2) the form that leadership needs to take. For example, based on recent research we know that top management--and not some team of consultants--must lead the change effort. We also recognize certain key leadership actions that can help those efforts succeed.

Third, I discuss the need to consider organizational power (and the related topic of politics) in organizational change efforts. This topic, largely ignored in the literature until recently, is now recognized as central to any organizational improvement effort. Goals are accomplished in organizations largely through the use of power and politics, so it seems fairly obvious that changing an organization also requires their intelligent use. I close the article with a summary of the key implications for top managers trying to improve their organizations.

CHANGING ORGANIZATIONS: THE ROLE OF ORGANIZATIONAL CULTURE

Organizational culture was the hot topic of the management literature of the 1980s. New techniques for assessing and changing culture appeared in the organization development (OD) field, and a wide range of consultants on culture appeared almost overnight (some promising to change a firm’s culture almost as fast). A great deal of research on culture was performed some to determine exactly what it was, some to find out how to measure and change it. The good news is that we have learned a lot about what culture is; we now have some good instruments for measuring it. The bad news--and the harsh reality--is that we have also learned that it cannot be changed easily or quickly.
Before going further, I will posit an explanation of "organizational culture." I rely on Edgar Schein's (1985) widely accepted definition, which identifies three levels of cultural phenomena: basic assumptions, values, and artifacts. Basic assumptions are the circumstances taken for granted in an organization as the "correct" way of doing things. They lie at the deepest level of culture and are the hardest to change. One basic assumption Schein found in an engineering firm dealt with decision making: the individual employee was valued as the key source of ideas, but the ideas still had to be assessed by the employee's work group--all relevant parties--before they were accepted.

The values of the firm are at the next higher level of culture, according to Schein. These refer to a sense of what "ought" to be. An example of a value might be the belief that on-the-job experience is the best form of training. Given this value, and assuming employees successfully learn their jobs this way, there would be little reliance on structured training programs.

At the most superficial level, artifacts are the overt behaviors and other physical manifestations of culture. They can usually be observed directly and are easier to change than assumptions and values. Artifacts include, among other things, procedures followed, technology used, and ways of communicating. Unfortunately, changing the artifacts generally does not yield a change of culture. To do that, one must eventually reach the values and (preferably) the basic assumptions.

Given this definition of organizational culture, let me now summarize the conclusions I have drawn from my own experience (and my review of the literature) on this topic. We can measure culture; therefore we can identify and understand any one organization's unique culture. Being able to measure culture, however, does not mean we can change it quickly as a prelude to transforming and improving the organization. We must learn about a company’s existing culture--identify and understand it--to bring about any real change. I discuss each of these points in greater detail below.

**Measuring Culture: A Necessary But Insufficient First Step**

We know how to measure culture. A key finding here comes from a study performed by Geert Hofstede and his associates (1990), who examined organizational culture in 20 units of ten organizations in Denmark and the Netherlands. They found that differences among the cultures could be explained by the practices employees of each firm said they shared in common (similar to what Schein called "artifacts"). Hofstede et al. further concluded that differences among organizational cultures can be described by focusing on very few--perhaps only six to eight--dimensions of organizational practice. Two key dimensions they found were the extent to which the culture was employee- versus job-oriented and whether it was process- or results-oriented.

The important point here is that in studying an organization's culture we can focus on practices (behaviors and performance) rather than on values, which are much harder to measure. One caution: in measuring culture, we need to recognize the possibility of
important subcultures in different areas of the organization. Though there may be a
general consensus on how things should be done, variations will occur within certain units-
-variations that do not violate the broader culture but which can make those particular
units somewhat unique.

Assessing a firm's culture is not the same as changing it. Furthermore, it cannot be changed
by top management edict. As Paul Bate's study of British Rail found, organizational culture
develops over a long period through the interactions and relationships of key individuals
and groups--some outside the organization (Bate 1990). Note that the most recent
attempts to change GM and IBM involved pressure from outside board members to replace
top management teams. GM's team was from the Roger Smith school, and IBM's had come
up through the "mainframe" ranks. It's too early to say, but bringing in new top
management teams—with new interactions and relationships—may be what is needed to
turn those two companies around. My point is that those attempting such change must
understand the network of relationships and the dialogue among interest groups both
inside and outside the organization. As Bate concluded, this network of relationships, and
not the formal authority structure, is the foundation upon which culture is created and
adapted.

The influence of outsiders—the firm's environment—is further highlighted in a study by
George Gordon (1991). He concluded that the basic assumptions and values of business
organizations are influenced substantially by three outside factors: customer requirements,
the competitive environment, and societal expectations. Organizations facing dynamic and
complex competitive environments can be successful with cultures that are flexible and
adaptable. U.S. automakers have known for some time now that they face this type of
environment and must change accordingly (note Chrysler's efforts in recent years to
downsize). Companies in the high-technology area, facing rapidly changing consumer
demands, support cultures that call for risk-taking and individual initiative. Intel's culture
has shown a recognition of this idea since the company's inception.

**Working Through Culture (Instead of Trying to Change It)**

Instead of trying to change the culture to change the organization, the wisest approach may
be to work with and through the existing culture. Along this line, one recent study (Beer,
Eisenstat, and Spector 1990) concluded that successful change efforts should focus on the
work itself (practices, a la Hofstede) rather some abstraction such as "culture." This study
also suggested that organizational renewal should start at the bottom rather than at the
top. The authors studied four major corporations over a four-year period, finding that
company-wide change programs led by corporate staff specialists were largely
unsuccessful. Instead of the specialist-led, top-down effort, these writers suggested a focus
on three key concepts: coordination, commitment, and competencies.

Coordination refers to the need for key departments and individuals to work together to
determine how to improve the organization. Note the similarity of their argument to that of
Paul Bate: they suggest a focus on relationships and working through the existing culture.
An important outcome here is a shared vision of how the organization will be managed.
Commitment—their second key concept—refers to selling lower-level managers and employees on the new vision and making them committed to their roles in achieving it. They suggest a positive, employee-oriented approach here. However, they also note the "velvet glove" approach of one CEO who, while offering support to those who showed commitment, also threatened outplacement to those who balked.

"Competencies" means that individuals need to learn the analytical and interpersonal skills they will use in the change effort. Formal training programs can play a key role. If the new vision calls for greater employee involvement in decision making, managers may need training in how to involve their employees.

Up to this point, I've emphasized the need to understand an organization's culture and the difficulty of changing it. Next I explain how organizational change depends more on leadership and the effective use of power than it does on any attempt—including that of top management—to change culture. A change in organizational culture would probably result from, rather than lead to, organizational change.

**LEADERSHIP: THE KEY ELEMENT IN ORGANIZATIONAL CHANGE**

Management leadership—especially top management—is probably the most critical element in a major organizational change effort. This leadership role cannot be delegated, for example, to a consultant. Two recent change efforts dramatically illustrate this point. When International Harvester was transformed into what is now Navistar International Corporation, top management relied very little on external consultants. In 1983, CEO Don Lennox, along with other top managers, assessed the firm's management practices, concluding that improvements were needed. After studying change efforts at other companies, they decided the top officers should become the change agents in their own units. Team-building was used extensively. The resulting Continuous Improvement Teams (CITs) were led not by human resource or organization development specialists but by middle-level line managers. Along with other management-led interventions, CITs have changed the company from a sluggish, unprofitable bureaucracy into a streamlined, world-class manufacturer with a solid reputation as an innovator.

The second example of management leading the change effort occurred at a major rust-belt bank that needed to become more competitive. The president decided at first that training employees and first-line supervisors was the best way to reach this objective. However, the assessment of the need for training, in which a consultant interviewed those to be trained, revealed that the bank's problems were far deeper than the president had realized. More than just a training program was needed. As a result, the bank began an OD program, the overriding intent of which was to produce a highly competitive organization that treated its employees with dignity.

A key point in this OD program was that top management should lead by example in managing the change effort. First, the chairman began the effort by promising job security for those who met job expectations. Second, he designed a new organization chart with
customers at the top and him at the bottom; the message was that the company served its customers and supported its lower-level management. Third, changes were implemented gradually so managers would have time to learn their new managerial skills. Fourth, OD activities such as team-building and process consultation were designed and led by line managers, who received training in the use of these techniques. The thinking here was that employees would respond better to line managers than they would to external consultants; the latter would not be as familiar as the managers with the problems the employees faced on the job.

As these two examples illustrate, it’s quite important that top management be involved in leading the change effort. However, it is doubtful that just a small group of top executives can lead the effort alone. David Nadler and Michael Tushman (1990) suggest that this leadership responsibility should be institutionalized throughout the management system. The senior management team could share the responsibility of creating and articulating the new vision for the organization. The senior team could even be broadened to include individual managers with special expertise or those from positions one or two levels down the hierarchy.

**The Nature of the Leadership Required**

At this point, readers might wonder if a certain type of leadership is required. Are there specific things management can do to set the stage for successful change? The answer is yes: some rather specific leader behaviors are critical in organizational change programs. Jerry Porras and Susan Hoffer (1986) found that communicating openly (sharing intentions, listening) and collaborating (making decisions in teams) were most related to success in OD efforts. Teresa Covin and Ralph Kilmann (1990), in their survey of 1,005 individuals, including managers, consultants, and researchers, found similar results. In addition to communication and widespread participation, they noted two other key leadership behaviors. First, top management needs to demonstrate visible and consistent support for change. Modeling expected behaviors is important; if the change effort calls for team-building, then top management should be the first group to try to build teams. The other important leadership behavior noted by Covin and Kilmann is tying the change program to business needs. Management needs to show how the change will improve outcome measures such as profits, productivity, or quality of work life.

Larry Smeltzer (1991) further highlighted the importance of communication and collaboration in his study of change in 43 organizations. The most commonly cited reason for the failure of a change effort was the presence of inaccurate and negative rumors, often caused by management's neglecting to provide timely and accurate information. The second biggest reason for failure was that of employees learning of the change from outsiders--again, because management did not communicate. Many employees, especially those affected by the change, expressed extreme resentment about this situation. The final cause of failure Smeltzer noted was management’s reliance on a "lean" channel of communication, such as a memo instead of a face-to-face meeting.

**THE NEED TO DEAL WITH POWER (AND POLITICS)**
Early literature on organizational change failed to address the role of power in such change. Among the reasons for this neglect was the belief not always spoken but certainly felt—that managerial decisions should be based on reason and legitimate authority rather than something as "non-rational" as power. Excluding power as a topic of discussion also assured the general public (especially investors) that decision making in organizations was based on efficiency and logic. Note that top executives rarely use the word "power" in their conversations with the media.

The more recent literature on organizational change indicates a recognition that both managing and changing organizations depend heavily on the use of power. Fortunately, we also know that not all power is bad, and that change can be achieved through its positive use.

However, our view of power in organizations is still somewhat simplistic. For example, Patricia Bradshaw-Camball (1989) says that managers and consultants tend to assume that the use of power can readily be observed in organizations—that "reality is objective." She argues that power plays are usually much more subtle and hidden. A key tactic she identifies is to create systems of meaning that others will accept. For example, in a meeting with other managers I might present only the information that supports my view of a situation. If the others accept my interpretation—my system of meaning—I will have greater influence over the resulting decision-making process. Bradshaw-Camball studied a hospital in which top management had created the illusion of a financial crisis to gain additional resources from the hospital's funding agency. By overstating the hospital's budget deficit by $1.4 million and preventing department heads from seeing detailed, accurate financial reports, management created this false "system of meaning" to gain an edge over competitor hospitals funded by the same agency. The illusion of a crisis was so effective that, in a study of work force morale by an outside consultant, lower-level managers and employees said they were very concerned about the potential for cutbacks—the apparent reality. The consultant, not being informed of management's game plan, based his recommendations for the hospital upon this finding. His examination of the situation was insufficient to uncover the power and politics that were being played.

Bradshaw-Camball recommends that those attempting to implement change should study the history of the organization and its relationships with its various stakeholders, including those beyond its boundaries. Only in this way can change advocates understand the observable but misleading "facts" and uncover the real systems of meaning to which managers and employees subscribe.

Dealing with Powerful Outsiders

George Savage and his associates (1991) also suggest a careful assessment of organizational stakeholders, especially those outside the organization—stockholders, customers, and so forth. The authors maintain that management should try to identify those that are likely to help or hinder an organizational change effort. Savage et al. label these two categories as "supportive" and "non-supportive," respectively.
They also identify two other categories that are not so clear-cut. The "mixed blessing" stakeholder may support or block a change, depending on the issue at hand. Customers generally fall into this category. For example, police officers in one Kentucky town complained about having to drive what they called the "bulbous" 1991 Chevrolet Caprice Classic. They had been quite content with the prior versions of the same car and would have been happy to block the purchase of the newer models.

The "marginal" stakeholder is not too concerned about current organizational issues but could be if the organization makes an undesirable decision. A good example is a professional association, which may cause no trouble for a company until the company attempts to revise performance standards for employees who are members of the association.

Savage and his associates point out that organizations can manage these stakeholders, which would be especially important during a change effort. Firms should obtain supportive stakeholder involvement during change to maximize cooperative potential. A defense can be established against non-supportive stakeholders by reducing organizational dependence on them. Vertically integrating to gain independence from uncooperative suppliers is a good example. The interests of the marginal stakeholder need to be monitored continuously. Perhaps the firm can identify the few issues of concern to this stakeholder and tread carefully on those issues. Collaboration---discussions, formal negotiations, and even joint ventures---can help keep the mixed blessing stakeholder in a supportive stance.

**Acquiring and Using Power: Organizational Politics**

Any discussion of organizational power needs to consider the closely related topic of organizational politics. Politics is power in action; it involves acquiring, developing, and using power to achieve one’s objectives. Because change always threatens the existing balance of power in an organization, politics will always be used to maintain balance.

Several researchers have examined the management of organizational politics in the change process. Anthony Cobb (1986) suggests that, in an organizational change effort, the analysis of politics must be performed at three levels: individual, coalition, and network. At the individual level, management needs to identify people who hold powerful positions and have developed reputations for power, perhaps through their influence on important decisions. I remember a lower-level product manager at Unisys in the early 1970s who didn’t seem to spend too much time managing products. Closer inspection revealed that he was actually a human "personnel inventory" of corporate talent; Unisys managers all over the world relied on this individual to steer them to capable candidates for critical positions. This product manager was involved in decisions far beyond what his title conveyed he was very powerful.

Powerful coalitions can be identified in a similar way. It is also important to look at interest groups that control key resources or have held together for a long time; powerful coalitions
seldom are temporary. That's why top management teams, and not just a couple of top managers, are often removed in a change effort. Merely eliminating a couple of managers will not prevent the remainder of the team---often a long-standing, powerful coalition from blocking the change.

At what Cobb (1986) calls the "macro" level, powerful networks (of both individuals and coalitions) can be identified by studying key linkages among individuals and coalitions: Who talks to whom? Who shares similar values and interests? Who shares access to key resources? Decades of research on individual and group behavior show that we socialize with those who are similar to us, support us, and share our goals.

Not only must the advocates of change watch out for political and power plays, they must also use power and politics themselves. It's a necessary case of fighting fire with fire. However, as Kumar and Thibodeaux note (1990), the degree of political maneuvering should vary with the level of change sought. The lowest level of maneuvering is a simple political awareness of how people feel about a situation; it is appropriate for minor changes--a new procedure in one department, for example.

A somewhat higher level of political maneuvering--political facilitation---calls for direct interaction with those who may help or hinder the change. It applies to more substantial changes-- perhaps major reorganizations within manufacturing divisions, individual retail outlets, or government agencies.

The level of political maneuvering appropriate for large-scale organizational change--the topic of this article--is what Kumar and Thibodeaux call political intervention. This is a true "activist" approach in which management goes beyond facilitation and support to encourage people to question existing beliefs and values. This intervention may require that management align with powerful others or consciously manipulate to achieve desired ends.

Organizational culture is not the "change trigger" we assumed it was in the early 1980s. We cannot change organizations by focusing directly and immediately on culture, because culture is too broad and resistant. Moreover, it is influenced by factors (the competitive environment) largely beyond the control of management. However, we need to assess culture to determine the best way to proceed with change. That effort is much more likely to be successful if, instead of treading on existing assumptions and values, management will collaborate with employees in assessing behaviors and practices.

Management's leadership in the change effort seems to be the key determinant of whether that change will succeed. It is not new to say that leadership is critical. What is new is the type of leadership being recommended—one that does more than just create and articulate a new vision for the organization. Management needs to communicate openly with those affected by the change and, once again, collaborate with those same individuals to obtain their input. Part of communication and collaboration involves Wings the intended changes to organizational outcomes—what does the change mean in terms of productivity and quality of work life? Another key leadership feature involves role modeling of expected
behaviors. For example, if top management expects lower-level managers and employees to behave ethically, then top executives themselves must do the same.

We now recognize that changing organizations requires a consideration of power and politics. Effective managers of change understand that what others do and say may not reveal their true intent. People do attempt to create meaning for others—perhaps through manipulation of information—to reach desired objectives.

Top managers wishing to transform an organization might best begin with a careful assessment of its history. This can reveal the individuals and coalitions that wield the greatest power. It is also important to examine the organizational stakeholders—both internal and external to determine those that might support or block a change effort. It might be possible to manage those stakeholders (and their influence) by collaborating with supporters and defending against non-supporters.

Fortunately, both power and politics can be used in positive ways. Although manipulation and coercion may sometimes be needed to influence those who refuse to support change, collaboration and communication can usually set the stage for political activities of a more positive nature—especially if the organizational culture has been considered and the leadership of the change effort has been effective.

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