Strategic Leadership – Book, Chapter 10a/b condensed)

CHAPTER 10a | Organizational Climate and Culture: Strategic Determiners, Part I— Shaping Organizational Climate and Culture

Clearly, as strategic leaders formulate their visions and strategies, they must take into account the organization's culture—will it impede or facilitate the organizational and behavioral changes, performance, and outcomes needed to achieve sustained superior performance within a volatility, uncertainty, complexity, and ambiguity (VUCA) environment?

Organizational climate is often viewed as the personality of the organization. It is the feelings, tones, moods, attitudes, etc., whereas the culture represents the collective beliefs of the members, e.g., the assumptions, values, traditions, artifacts, and ethical understandings/practices of a group/subculture or the organization as a whole. Strategic leaders can have a major impact on long-term organizational climate and culture by what they emphasize, measure, and control. In general, strategic leaders can affect organizational climate by their leadership behavior and policies, whereas changing or influencing organizational culture takes significantly more time and effort.

Organizational culture is a powerful force and is critical for the organization's short- and long-term viability and success. Strategic leaders must recognize and have an appreciation for the climate and culture in which their organizations operate. They must also know how to recognize when culture needs to change, how it needs to be changed, and the best way to implement that change. This chapter will consider what scholars and prominent strategic leaders have to say about climate and culture and how some of these leaders used, led, changed, and managed organizational climate and culture.

Kim Cameron and Robert Quinn, authors of *Diagnosing and Changing Organizational Culture*, explained that culture reflects "the prevailing ideology that people carry inside their heads. It conveys a sense of identity to employees, provides unwritten and often unspoken guidelines for how to get along in the organization, and it enhances the stability of the social system that they experience. . . . [Often,] people are unaware of their culture until it is challenged, until they experience a new culture, or until it is made overt and explicit through, for example, a framework or model."[1]

Eighty percent of executives surveyed agreed, "Culture is as important as strategy for business success."[2] Cameron and Quinn estimated that almost 70 percent of major organizational change efforts fail.[3] One of the main reasons is the organizational culture. Strategic leaders must have an understanding of and appreciation for the cultures influencing their organizations. They must also shape the culture of the organization as conditions warrant. When a strategic leader fails to recognize the need for cultural change, most likely other types of initiated organizational changes will fail.[4]

Culture vs. Climate
Climate and culture are often confused or viewed as similar constructs. Both significantly affect organizational effectiveness, but climate relates more closely to the tangible actions and behaviors of the strategic leader in the near term. Thus, the strategic leader can directly reflect the climate of an organization.

For example, the strategic leader can set the policy that everyone must change their work schedule to arrive at the worksite no later than 7:00 a.m. rather than the customary 8:30 a.m. start time. Or the leader can adjust the dress code policy to require everyone one to wear a particular uniform, shoe style, or hat. Some employees will embrace the changes and others may become disenchanted, feel persecuted, and quit. These types of policy changes will affect the climate of the organization but not necessarily the culture. However, the responses that policy changes evoke will undoubtedly reflect the culture. One can usually see or feel an organization's climate in a relatively short time. Such questions as, "Is there a sense that the people are self-absorbed or do they appear collaborative and energetic? Do they seem happy in their work or disgruntled?" can typically be answered fairly quickly.

However, because climate relates closely to leadership actions and the results of those actions, sustaining a specific climate may become problematic in the absence of the leader. This reflects the "When the cat's away, the mice will play" syndrome. When attempting to make a cultural change, the strategic leader needs to ensure that new behaviors are truly rooted in the culture and not just the climate. The following five questions can assist the strategic leader in identifying an organization's climate.

Consider these questions to reveal **CLIMATE**:[13]

• What is morale like around here? Are people happy to be coming to work?

• Are people satisfied with their jobs here? Do they like the work they do?

• What do people here think about the leadership? Do they have trust and confidence in those running the organization?

• What are the working conditions like in this organization?

• Is this a pleasant place to work?

• How do people in this organization perceive their compensation?

• Is it commensurate with the outside world?

• Is it fair in comparison to others' pay in this organization?

• Are the benefits (health care, retirement, etc.) attractive?

Culture is different. Climate can influence culture but will not change simply by policy or leadership change. The extent to which climate will influence culture can be related to the age and maturity of the organization. In new/start-up organizations, climate will make a greater impact on the culture. For those the climate and culture will both reflect what is taking place as the organization seeks the ability to survive and prosper in its new strategic environment.

Changing Direction—From Climate to Culture

[Note: The following example uses a metaphor comparing organizational change initiatives represented by the "captain," and resistance to changes of direction by the "ship" (organization).]

A ship's captain places his hand on the helm as the ship steers to the north. He then turns the helm 90 degrees to the right and changes the ships direction to east. As long as the captain's hand is on the helm, the ship continues on the eastern course. Once he lets go, the helm automatically swings back north.

What the eastbound route illustrates is climate and the influence the leader can have over the direction of organizational climate. As long as the captain keeps his hand on the helm, he can forcibly make the ship go east. Yet when the captain lets go, the ship returns to its northern course. Why? The ship's autopilot (or the organization's culture) was not set to head east; it was still set to head north. Until an organization heads "east" without the leader's hand on the helm, the leader has not changed the organization's fundamental culture. As Harvard management scholar John Kotter points out, "Until new behaviors are rooted in social norms and shared values, they are subject to degradation as soon as the pressure for change is removed."[15]

Short-term vs. Long-term Change

Though ultimately linked to culture, organizational climate in terms of such phenomena as satisfaction or dissatisfaction, morale, and cohesion is highly susceptible to leadership styles and actions. Many military and government leaders who are only in their positions for a year or two are far more likely to affect organizational climate than bring about authentic cultural change. That is because those leaders are not in their organizational roles long enough for the workforce to disengage the autopilot. In most cases, once a particular leader is no longer putting the pressure on the organization to behave a certain way, the changes they initiated are difficult to sustain. Further, military and government leaders are working within a much larger, more institutionalized culture that typically transcends the efforts of individual leaders to bring about lasting cultural change. The bottom line is that government and military leaders may influence the measurable climate without significantly altering the culture.

Reinforcing the Culture Needed by the Strategic Leader

Embedding Culture

Leading cultural scholar Edgar Schein says leaders exert influence with everything they do. "This can mean anything from what they notice and comment on to what they measure, control, reward, and in other ways deal with systematically. Even casual remarks and questions that are consistently geared to a certain area can be as potent as formal control mechanisms and measurements."[56]

Take the following examples:
• A leader verbally promotes an "open door" policy, yet spends the day with the office door closed ("Open door, closed mind").

• A leader states he or she values their employees, yet does not personally greet the receptionist, file clerks, production workers, and janitors.

• A leader says customer relationships and service are top priorities and they want employees to get to know customer needs, yet rewards sales teams for the number of sales calls made rather than measuring and ensuring the quality of those calls.

• A leader says teamwork is important in the workforce, yet rewards team members for individual performance rather than team performance.

• A leader states he or she values inputs and opinions, yet concludes meetings (or such) with negative overtones and closed-ended questions such as "There aren't any questions are there?" rather than open-ended ones like "What questions do you have?" or "What are your thoughts or comments?"

Schein suggested that the following major considerations are important to strategic leaders while embedding culture:[57]

Primary Embedding Mechanisms
• what leaders pay attention to, measure, and control on a regular basis
• how leaders react to critical incidents and organizational crises
• how leaders allocate resources
• how leaders role model, teach, and coach
• how leaders allocate rewards and status
• how leaders recruit, select, promote, and excommunicate.

Secondary Articulation and Reinforcement Mechanisms
• organizational design and structure
• organizational systems and procedures
• rites and rituals of the organization
• design of physical space, facades, and buildings
• stories about important events and people
• formal statements of organizational philosophy, creeds, and charters.[58]

Integrating Cultures

Strategic leaders should keep their focus firmly on the culture of their own organization but also be very mindful of the cultures within any organization with which they might need to interact. The leader should carefully consider the integration and alignment of the two cultures (or more if subcultures are involved). Leaders should be vigilant and thorough, making sure they understand the impact each culture may have on the strategic vision of the other organization, and then deciding on how to proceed.

CHAPTER 10b | Organizational Climate and Culture: Strategic Determiners, Part II—Building Ethical and Innovation Climates and Cultures

Developing an Ethical Climate and Culture

Research suggests that if the strategic leader acts in an unethical manner, the leadership team may do likewise—or, at least, disengage from ensuring ethical parameters are considered in strategy formulation and decisionmaking. Even more problematic is the strategic leader who is hypocritical. As Trevino and Brown noted, "Nothing makes people more cynical than a leader who talks incessantly about integrity, but then engages in unethical conduct himself and encourages others to do so, either explicitly or implicitly."[11]

Lieutenant General Mike Dunn, USAF (Ret.), the National Defense University President from 2003 to 2006, often speaks on what it takes to be a strategic leader:

I always worry about the ethical situation. I was working for the Secretary of Defense and one thing that surprised me more than anything else—this was when I was a one-star [General]—*was the number of cases of General Officer and senior officer misconduct. Almost all of them were because the individual*

thought too much of himself and was not humble, or because he or she did not think like a servant—like being a servant of the people. About one-third of those incidents were . . . associated with the fact that people did not think the resources they are using belong to the taxpayers. . . . I saw driver issues [such as] *"Take my daughter to the airport." That is tax payer money funding a soldier taking and using government gas to take a personal child to the airport, and that is unsatisfactory.*[12]

Trevino and Brown concluded, "Being ethical is not simple." They emphasized that, "Ethical decisions are ambiguous, and the ethical decisionmaking process involves multiple stages that are fraught with complications and contextual pressures. Individuals may not have the cognitive sophistication to make the right decision. And most people will be influenced by peers' and leaders' words and actions, and by concerns about the consequences of their behavior in the work environment."[6] They concluded by noting: "The bottom line here is that most people, including most adults, are followers when it comes to ethics. When asked or told to do something unethical, most will do so. This means that they must be led toward ethical behavior or be left to flounder. Bad behavior doesn't always result from flawed individuals. Instead, it may result from a system that encourages or supports flawed behavior."[7]

Richard Goldstein, former CEO of International Flavors & Fragrances, outlined three key elements for an ethical company: Leadership, Values, and Systems.

1. Leadership. They say that 'the fish rots from the head.' That may be, but the same point can be made in a positive light. In addition to setting an example for the entire organization, a CEO should appoint a senior leadership team that holds itself to the highest moral and ethical standards.

2. Values. A company can have as many anonymous whistleblower hotlines as it wants, but those tools will be worth nothing if it does not also have—and truly live by—a set of corporate values that demands and rewards integrity, honesty, and courage. You must create a culture and an environment in which ethical behavior can not only survive, but also thrive.

3. Systems. Once the stage is set with strong leadership and a healthy culture, you must provide the information and tools that explain what kind of behavior is expected and what to do if there are breaches of good conduct. In a multinational company, it is important to provide multiple communication approaches to allow for cultural sensitivities and preferences.[8] [Recall "The Platinum Rule" discussed previously in this chapter, Part I.]