Importance of Organisational Culture For the Success of an Organisation
A Literature Review

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Abstract

Organisational culture plays an important role in the success or effectiveness of an organization. Even a psitive culture which is coherent with business goals, can become dysfunctional if ignored. Organisational culture can be changed or managed if inadequate to meet present or future needs of the organization. Hence, it is important to know what type of culture exists in an organization so that the management can change or improve the culture according to the needs.

1.0   Introduction

This article provides an overview of organisational culture, and its importance for organisations. Organisational culture, also referred to as corporate culture, is still a relatively new, controversial and little understood concept. Many academic books and papers (for example, Gorman, 1989; Drennan, 1992; Schein, 1992; Brown, 1998; Guillen, 1998; Martin, 1998; Brooks, 1999; Chivers and Darling, 1999; Witte and Muijen, 2000), focus on the concept of organisational culture and many of them claim that culture makes a major difference to organisational effectiveness.

The structure of the article is as follows. Section 2.0 appraises the many definitions of organisational culture given by several authors, and selects a definition which will be adhered to throughout the remainder of the article. Section 3.0 discusses the importance of corporate understanding of organisational culture. Finally, Section 4.0 provides a summary of this article and some concluding remarks.

2.0 Defining Organisational Culture

The term "organisational culture" is defined by many authors (for example, Sethia and Von Glinow, 1985; Scholz, 1987; Denison, 1990; Hofstede, 1991; Vecchio, 1991; Drennan, 1992; Schein, 1992; Williams et al., 1993; Luthans, 1995; Brown, 1998; Brooks, 1999; Greenberg, 1999; Kreitner et al., 1999). The definitions given by these authors appear similar, but on closer inspection each has a slight different emphasis. For example, Denison (1990), Hofstede (1991), Drennan (1992), Williams et al. (1993), Luthans (1995) and Kreitner et al. (1999) are of the opinion that organisational culture exists in an organisation and the employees follow that culture, whereas Sethia and Von Glinow (1985), Scholz (1987), Vecchio (1991), Brown (1998), Brooks (1999), and Greenberg (1999) are of the opinion that organisational culture is developed via the behaviour of the employees. Indirectly they are saying the same thing; that organisational culture comprises the behaviour, attitudes and beliefs of the employees, which leads them to think and act in a certain way. This view is shared and adopted in this article. In this definition, behaviour refers to the way employees act or react, attitudes refer to employees' responding in a consistent manner (favourably or unfavourably) to a particular thing or idea, and beliefs refer to what employees think is or is not true.

Organisational culture exists in all organisations regardless of size (Tayeb, 1988). Each organisation is different in the way it is structured, in the way it operates and in the outputs (products or services) it produces (Brown, 1998; Fidler and Rogerson, 1996;

Wood et al., 1998). Some organisations may have a strong culture and others may have a weak culture (Deal and Kennedy, 1982; Hofstede, 1991; Luthans, 1995; Martin, 1998). Very strong organisational cultures can have disadvantages as well as advantages (Gorman, 1989; Brown, 1998; Martin, 1998). A major disadvantage is that they can prove particularly resistant to change. A major benefit of a very strong organisational culture is as a source of competitive advantage: a strong organisational culture promotes consistency, coordination and control, and reduces uncertainty and enhances motivation, and therefore may improve the organisation's chances of being successful in the market place. The strength of the culture depends on sharedness and intensity, where sharedness is the degree to which the employees have the same values and intensity is the degree of commitment of the employees to the values. An ideal working culture is one where employees are satisfied (less tension or pressure) and their contribution (productivity) is at maximum (Norton, 1994).

Organisational culture can be managed and changed (Deal and Kennedy, 1982; Sethia and Von Glinow, 1985; Schein, 1985; Scholz, 1987; Hofstede, 1991; Drennan, 1992; McDonald and Gandz, 1992; Williams et al., 1993; Baron 1994; Luthans, 1995; Greenberg, 1999; Kreitner et al., 1999), but it cannot be changed overnight. Martin and Siehl (1983) and Turner (1986) argue that culture simply exists and can be neither created nor changed. This view is not shared by this author, because there are many examples where organisational culture has been changed successfully (see Section 3.0) even though it takes time and patience. One of the important activities of management in the organisation is to create and manage organisational culture, and an essential talent of management is their ability to work with organisational culture. As Fidler and Rogerson (1996, p.249) have stated, "Andersen Consulting, quite rightly, argues that senior management provides leadership for the organisation and establishes its culture." This view is also supported by Martin (1998) and Greenberg (1999).

3.0 The Importance of Organisational Culture

Many commentators, for example, McKinsey (Guest, 1992), have incorporated an organisational review as part of their "formulae for organisational success", which has had great appeal to businesses. This idea of organisational review came on the realisation that organisations in different countries were structured and behaved differently (Brown, 1995).

The remarkable success of Japan in the 1980s in matching and exceeding the levels of productivity, quality, innovation and service attained in western economies has emphasised the importance of the values shared by Japanese management and workers. These shared values determined the success of Japanese business at that time (Gorman, 1989; Guillen, 1998). They resulted in behavioural norms that demonstrated a commitment to quality, problem solving and cooperative efforts to a greater degree than in comparable organisations outside Japan. Ouchi (1981) suggests that it is possible to adopt some of the Japanese management practices and to change the culture of individual organisations.

Some organisations have to change their culture in order to remain competitive or to survive (McDonald and Gandz, 1992; Luthans, 1995; Kreitner et al., 1999). This is because the environment may have changed and therefore, previous cultural values are now not in accordance with those needed for survival. For example, the culture of Apple Computer was creative and innovative in the 1980's. However, as they began broadening and trying to appeal to both the educational and the business markets, the firm began to run into trouble. Its culture was not able to compete in an increasingly cut-throat market, and it began to lose money. Hence, a change was necessary for Apple Computer to survive (Luthans, 1995). It was also the case with the Pepsi-Cola Company (Scholz, 1987). Sethia and Von Glinow (1985, p.401) state "to become a successful challenger to the Coca-Cola Company, the Pepsi-Cola Company had to systematically change the emphasis of its culture from passivity to aggressiveness." From these examples, it can be seen that an examination of cultural issues at the organisational level is essential for a basic understanding of what goes on in organisations, and how they are run and how they

can be improved (Schein, 1985). Therefore, it is important that managers are aware of the organisational culture so that they can facilitate working to attain productivity, quality and novelty.

As an organisation changes and grows, its culture needs to change as well to meet new realities, if current culture is inadequate to meet present and future needs (Banner, 1995, Brooks, 1999). An adequate culture is one which helps to achieve those needs of the organisation. Even a positive culture (coherent with business goals) can become dysfunctional if ignored. For example, in a software company there was a practice of process ordering. The analysts first analysed the situation and then they handed over their report to the programmers for coding. During the programming, programmers used to contact the analysts many times for further explanations. In this way there was always a delay in the completion of the software. The management quickly realised this and changed the process ordering into job or project ordering. Now the analysts and programmers work together and hence a lot of time is saved. In this way, the process culture of the organisation was changed to one based on jobs or projects, which more appropriately reflected the present and future needs of the organisation.

Another example of a change of culture is the case of British Airways. After its denationalization, its culture was transformed from one which was described as bureaucratic and militaristic to one that may now be described as service-oriented and market-driven (Brown, 1998; Kreitner et al., 1999). The success of this cultural change is evident from its healthy share price, and its cargo and passenger revenues in the early 1990's.

From the above, it is clear that organisational culture plays an important role in the success of the organisation. Hence it is important to know one's organisational culture so that it can be change (if inadequate to meet present or future needs) according to the needs of the organisation.

4.0   Summary

This article has provided an overview of organisational culture and its importance. There are many examples where organisational cultures were changed for the effectiveness of the organisation. Even a positive culture which is coherent with business goals, can become dysfunctional if ignored. Indeed, organisational culture has a strong impact on the success of an organisation. As an organisation changes and expands, its culture needs to adapt so as to meet new realities. Hence, it is important to know what type of culture exists in an organisation so that the management can change or improve the culture according to its needs.

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