A Proposed Model for Assessing Organisational Culture Towards Achieving Business Objectives

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Abstract

Most of the traditional business performances measures are based on productivity and process criteria, which mainly focus on method of investment appraisal such as payback method, return on investment (ROI), cost-benefits analysis (CBA), net present value (NPV), internal rate of return (IRR). However, the measurement scales of business performance are not limited to those measures. One element that has strong correlation to the business performances is 'organisational culture'. Many studies proved that one of the significant criteria for achieving desired business objectives is the right organisational culture within workplace. Basically, the measurement of organisational culture is reflecting on two distinct elements: organisational culture and business objectives. In broader perspective, an organisation is considered effective if it meets its business objectives. This paper aims to present and discuss the preliminary culture model to indicate the culture performance within organisational. The model has been developed through literature review, expert opinion and experience which is anticipated of being able to potentially measure the culture capability of organisations across industries to "successfully achieve business objectives". The model is composed of six progressive stages of maturity that an organisation can achieve its culture performance. For each maturity stage, the model describes a set of characteristics that must be in place for the company to achieve each stage. The validity of the proposed model will be tested by a few case studies. The idea is to provide managers with a qualitative measurement tools to enable them to identify where culture improvements are required within their organisations and to indicate their readiness for achieving business objectives.

Keywords: Organisational culture, business performance, business objectives, proposed model
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INTRODUCTION

According to Choe (2004) culture or organisational behaviour is define as *"the collective programming of the mind that distinguishes the members of one group or category of people from another"*. Understanding culture within working environment is a crucial issue for achieving business objective (Khalfan, 2003). Chow et al (2001) and Carnall (1990) also highlights the important of organizational culture in order to achieve desired business objectives. A few studies is also been done to prove the significant contribution of organisational culture towards influencing business performance (Leem & Kim, 2006).

Romm *et al*. (1991)   believes that the cultural clash can increase the likelihood of organisation failure, such as uncertainty concerning jobs skills, potential redistribution of power and resources, lack of organizational validity and lack of management support (Cooper,1994). Therefore, it is critical to create cultural agreement and to share values between the business unit and employees as a whole. This would allow the creation of social control within organisation. It is predicted that reshaping cultural values would lead to change in the implementation success. Jones *et.al* (2005) hypothesised that employee perceptions towards strong organisational cultures, such as human relationship values and open system values can act as leverage on the level of readiness for change. The process of organisational change particularly when requires work culture changes is always problematic for the organisation, particularly when the changes are due to the introduction of method and technology (Appelbaum, *et al*, 1998).

In the other perspectives, Katzenbach (1996) and Smith (2005) suggest that the hardest things when dealing with the work culture changes lies in changing the 'people system' that includes the organization's structures, planning and control systems, job specialization, training and education programs, degree of centralization, delegation and participation (Volberda, 1992). The resistance to change might occur due to the lack of creating a sense of need and urgency for change among the employees (Kotter, 1995; Clegg e*t al*., 1997; Smith, 2005) and eventually organizational members may be unable to share the vision and mission for change if they do not feel any dissatisfaction with the current practices. (Smith,2005). Appelbaum, *et al* (1998) added that successful organisational culture change only will come in reality when managers achieve the agreement or consensus of employees.

Problem Statement

The pressure for organisations to transform their organisation to the way of facilitating the needs of business comes from the change of organisational culture due to business process reengineering, the introduction of new technology, mergers and expansion of the company etc. (Volberda, 1992). Appelbaum, *et.al.* (1998) suggests that organisational culture change in order to meet the business objectives can be done through effective organizational culture measurement. However, most of the traditional business objectives performance measures are based on productivity and process, which mainly focus on method of investment appraisal such as payback method, return on investment (ROI), cost-benefits analysis (CBA), net present value (NPV), internal rate of return (IRR).

However, there has been little discussion about the clarification and characteristics of culture as business objectives performance measures addressed in the literature. Lui *et.al.* (2006) indicates that there is little agreement on the way to categorise which cultural types is suitable to achive business objectives. Therefore, in response to this shortcoming, this paper attempt to addressed this issue by proposing a preliminary model to effectively measure culture capabilities within construction organizational in order to achieve business objectives. (Figure 1)
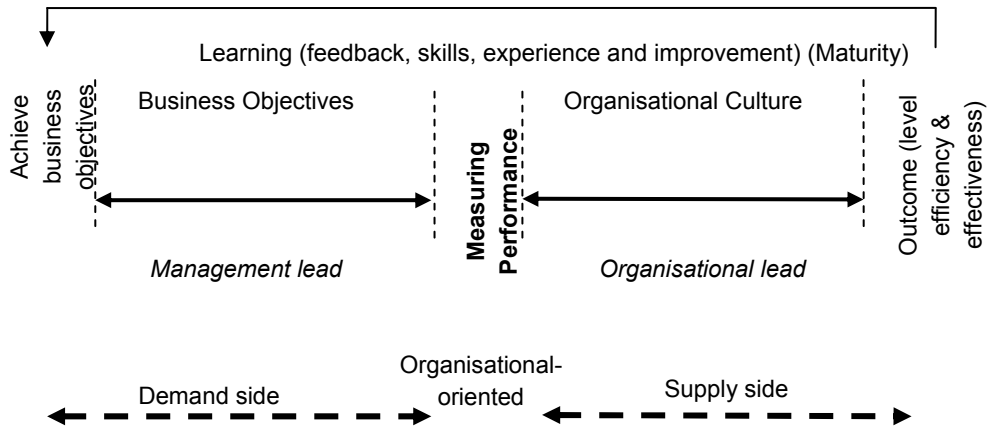
Figure 1 Achieving business objectives in line with organisational culture

The Proposed Preliminary Model
The model has been developed through a blended effort of comprehensive literature review, expert opinion and experience with the intention of being able to measure the capability of organisation culture to *"successfully achieve business objectives"*. The idea is to provide managers with a qualitative measurement tools to enable them to identify where culture improvements are required within their organisations and to indicate their readiness prior to achieving business objectives.

The scenario of organisational culture influencing business objectives is further investigated by reviewing the literature regarding business operation issues. The investigation is divided into two parts, the first part is reviewing the success/failure factors of organisational culture to influence business performance, and the second part is dealing with the current measures to deal with those scenarios. Various means are used to gather this information such as books, academic journal articles and research papers, conference proceedings, reports, magazines, etc. Apart from that, various local workshops and seminars has been attended to obtain directly an expert, practitioners and researchers' view on the experience, perception and attitudes towards culture in successful organisation. The literature review provides a basis for developing the research instruments through initial identification of the organisational factors of the successful organisational culture, and current measurement models in the organisation.

The observation and preliminary data gathering processes has identified a few issues:

a) The first part: *(the success/failure factors of organisational culture to influence business performance)*

- Most organisations do not emphasise on the successful characteristics of organisational culture in achieving business objectives
- Most organisations focus more on the hard issues side. For example, the planning of physical infrastructure, staff, training etc to achieve business objectives, rather than acceptance by culture issues.

b) The second part: *(the current measures to deal with culture as business objectives performance measures)*

- Lack of road map to improve the required organisational culture align with business objectives

- The majority of existing evaluations of organisational culture fails to measure the readiness of the organisational culture during business planning stage

The model is composed of six progressive stages of maturity that a company can achieve its culture capabilities For each maturity stage, the model describes a set of six characteristics that must be in place for the company to achieve each stage;

i) Business plan
ii) Staff employment
iii) Knowledge sharing
iv) Decision making
v) Business process
vi) Communication plan

The validity of the proposed model will be tested by a few case studies. In order to measure current and expected organisational culture capabilities, it will adopt the maturity-level techniques which is being able to measure the organisational readiness (Galliers & Sutherland, 2003; Salleh & Alshawi, 2006). The gap between the current and expected levels is known as the *"Readiness Gap"* (Salleh & Alshawi, 2006) (Figure 2) Each maturity level would addresses the specific culture requirements for the organisation to follow in order to achieve the management target. By knowing the readiness gap, it will assist managers with a road map that organisations can implement to improve their culture needs according to the business objectives achieve. Figure 3 describes the proposed model.
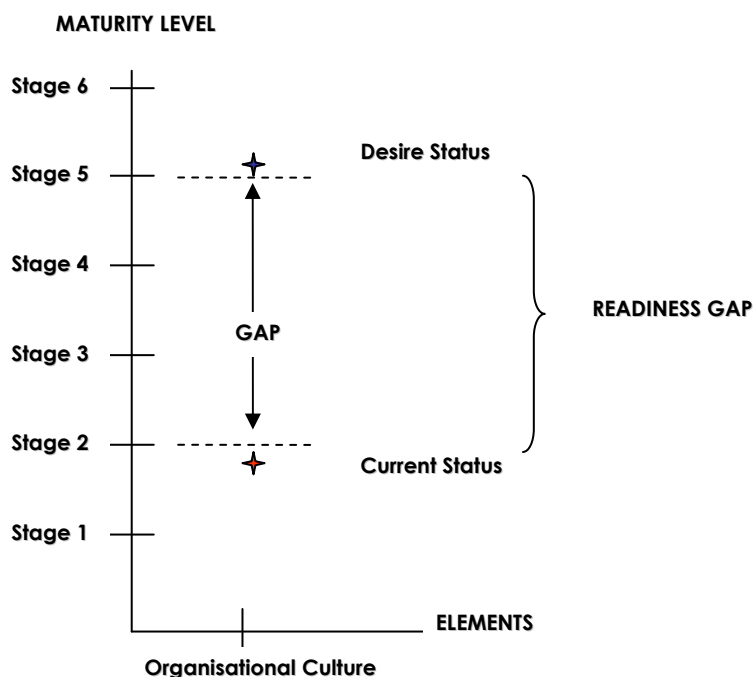

Figure 2 The Readiness Gap

Stage Characteristics of Evaluation Element

Stage 1: Ad-hoc Approach – Ad-hoc Investment
Business plan is made to be ad-hoc in nature and independent from one business plan to another (stand alone). The employed staffs are according to current needs and perform at all most

operation. No data and knowledge sharing exists. The decision about the direction of the organisations according to what the management sees taking place outside. Business process is unpredictable and constantly changed or modified as the work progresses. Staff communication is based on ad-hoc basis and no communication planning exists.
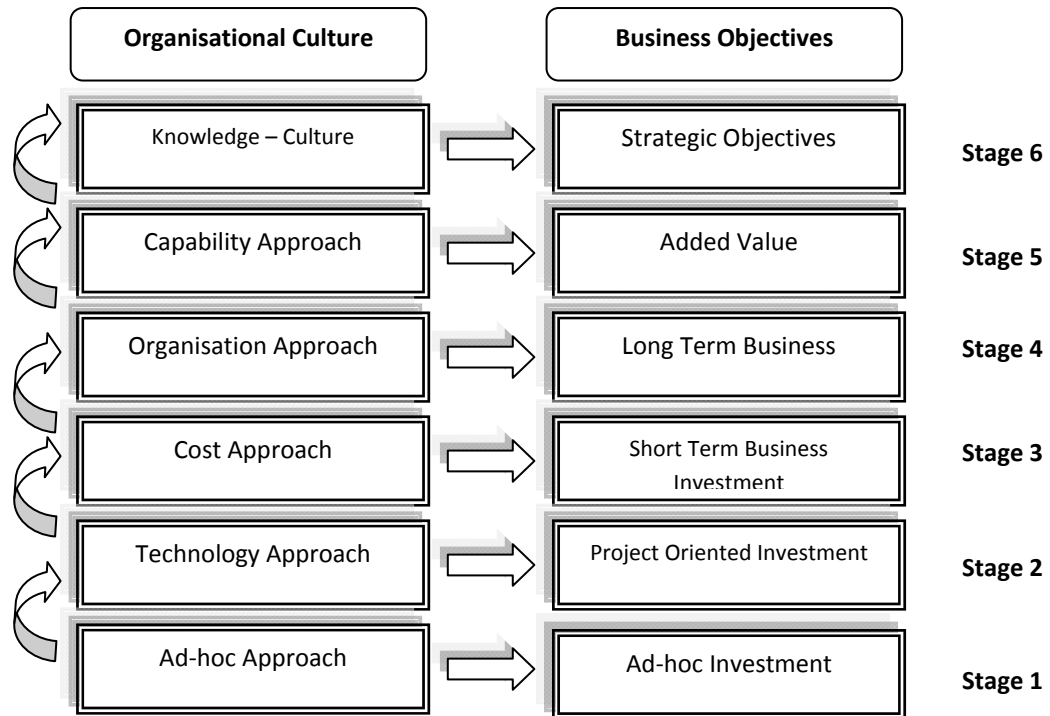
Organisational Culture		Business Objectives	
Knowledge – Culture	→	Strategic Objectives	Stage 6
Capability Approach	→	Added Value	Stage 5
Organisation Approach	→	Long Term Business	Stage 4
Cost Approach	→	Short Term Business Investment	Stage 3
Technology Approach	→	Project Oriented Investment	Stage 2
Ad-hoc Approach	→	Ad-hoc Investment	Stage 1

Figure 3 Proposed Culture Model

Stage 2: Technology Approach – Project Oriented Investment
Business plan is made based on what technology can offer to the business and consequently the business has to fit into technology. The staffs employed are started according to their skills to operate particular technology. The data and knowledge sharing exists within specific area according to skills acquired. The decision about the direction of the organisations according to what kind of technology available to business. Business process scope is identify and improved as the work progresses. Staff do have communication planning but within their specific area.

Stage 3: Cost Approach – Short Term Business Investment
Business plan is being made by taking into consideration of its cost and benefits analysis. Any business plan that is not viable will be thrashed out. The staff are employed based on the contribution to the performance of multiple tasks. The data and knowledge sharing of staff exists between business and technical knowledge. The decision about the direction of the organisation managed centrally within the organisation. Business process is documented, standardised and integrated organisation-wide. Staffs is communication plan exists between certain business units.

Stage 4: Organisation Approach – Long Term Business Investment
Business plan is made by taking into consideration of staff opinion. The staff employed based on the needs of the organisation as a whole. The data and knowledge is freely shared within organisation. The decision about the direction of the organisation is based on 'consensus decision' and to follow standards set of time target. A well-defined business process includes standard descriptions and models for performing work. Staff communication plan is standardised throughout the organisation.

Stage 5: Capability Approach – Added Value

Business plan is made to add value to the current product and services offered. The staff employed based on specific skills required and the management of staff start to decentralised, but with central coordination and control. The data and knowledge is shared among staff with proper knowledge management system. The decision about the direction of the organisation is based on the how to make the organisations more competitive advantage. The capability to set quality goals and measures on business process activities. Staff communication plan is well documented and integrated throughout the organisation.

Stage 6: Knowledge – Culture – Strategic Objectives

Business plan is being made on how to collaborate with other organisation. The organisation starts to exchange staff with other organisation. The data and knowledge is share between other organisations. The decision about the direction of the organisation is based on strategic decision making with other organisation. The entire supply chain is focused on continuous business process improvement (strength, weakness and evaluation). Staff communication is continuously improve internally and established communication plan with other organisation.

Proposed Validation Works

Testing and modifying the model requires an extensive analysis of information acquired during case studies such as views, experience, and knowledge. This model is extracted, adopted, combined and modified in conformance to the real situation that exists in practice. The means of 'conformance' according to Dictionary.Com is *'the act of conforming'*. Therefore, the process of comparing the information gathered in case studies against the model can be said as the act of conforming. This is theoretically true because the model itself is categorised as 'normative measurement' which is also known as 'conformance measurement'. King (1996) highlights this approach that attempts to answer the question: 'How does performance compare against an external standard of a theoretically ideal organisational culture?' In the process of conforming, the model will be re-evaluated based on feedback received during the case studies, although no changes will be made to the conceptual model. However, some factors might be prioritised, aligned, clarified or be omitted.

CONCLUSION

The model has been designed through blended process of literature reviews and expert opinion and is an attempt to establish a measurement tool with the intention of being able to measure the culture capability of organisations to *"successfully achieve business objectives"* and provides a quick reference for the manager to improve their work culture toward the highest maturity stage. These maturity stages are cumulative; that is, in order to attain a higher stage of maturity, the organisation must have institutionalized all of the requirements for that stage in addition to those for all the lower stages. For each maturity stage, the model describes a set of characteristics that must be in place for the organisation to achieve that stage which require a distinctive form of empirical inquiry and exploratory investigation, a few case studies are needed to work out the details and to validate the model. The model also has been proposed as a generic model which applicable across industries, however, it is recommended that an expert in that particular industry who has better knowledge and understandings for detailed investigation to identify the precise and specific requirements needed.

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