



Organisational culture – what is it?

This fact sheet has been produced by the Consortium Research Program's research activity 4: Cultures and structures. Its aim is to help RTOs develop a greater understanding of the impact of cultures on their organisational capability.

'Culture is the way we do things around here.'
(Deal and Kennedy, 1982, p.49)

In the past, when people talked about culture they were referring to knowledge, belief, art, morals, law and customs – the content of civilisation. The word is still used in this way, for example, when referring to the cultures of different ethnic groups or nations.

Today, when people talk about culture within organisations they often mean something more complicated. Culture within an organisation usually means the customary and traditional ways of thinking and doing things, which are shared to some degree by its members, and which new members must learn in order to be accepted into the workplace.

An organisation's culture can be observed in a wide range of behaviour, and can be inferred from unconscious and less tangible aspects of group life – values, beliefs and attitudes.

In the 1980s and 1990s – sometimes known as the period of the corporate culture boom – managers believed that with the right corporate vision, mission statement or leader, their organisation could build a highly committed, unified culture. This 'strong' culture would foster productivity and profitability.

More recently, similar cultural 'recipes' have been proposed to help organisations move towards goals such as sustainability, innovation or high performance. Some also try to make

organisational culture part of knowledge management and human resource practices.

Many people now consider that it is simplistic to see culture as a single entity, as many sub-cultures can co-exist in an organisation. Some people even regard it as a weakness for one particular culture to dominate in an organisation.

How do people describe culture?

Views from respected writers in this area are:

Culture is a pattern of shared basic assumptions that a group learns as it solves its problems of external adaption and internal integration, that has 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. (Schein, 2004)

Culture refers to the underlying values, beliefs and principles that serve as a foundation for an organisation's management system as well as the set of management practices and behaviours that both exemplify and reinforce those basic principles. (Denison, 1990)

Culture is not only that which is shared in an organisation-wide consensus but also the patterns of meanings that link these manifestations together, sometimes in harmony, sometimes in bitter conflicts between groups, and sometimes in webs of ambiguity, paradox, and contradiction. (Martin, 2002)

Culture is a system for differentiating between in-group and out-group people. (Straker, 2006)

Why bother with organisational culture?

For some people, an understanding of culture leads to greater awareness of the functioning of an organisation. Others see culture as something to be managed to improve an organisation's effectiveness.

Why might your RTO bother with culture? Because it helps to explain not just what happens in an organisation, but why things happen. It could also help you to:

- understand individual and collective behaviour
- be aware of leadership – a critical variable in success or failure
- counteract taken-for-granted beliefs and values that limit personal autonomy, such as gender bias
- deal with growth, diversity and change, and lead effectively, thus achieving more effective and efficient capability now and in the future.

What does culture look like in your organisation?

Some people see culture in very broad metaphorical terms – as a compass, or social glue, or even as a sacred cow. That's a useful approach if you believe that how you view a culture determines how you manage it.

More often, people look at several aspects of an organisation to describe its culture (or sub-cultures). Identifying and describing the culture (or sub-cultures) in your organisation or area can be an important first step towards *understanding* its culture.

You can use the following checklist to think about what the cultures in your organisation look like. Or, you can use the checklist to examine the culture within a specific area in your organisation.

Which of the following best describes the *power distribution* in your organization or area?

- Power is held centrally and distributed from there – *a club culture*
- Power is held by the heads of functional areas – *a role culture*
- Power exists in particular projects – *a task culture*
- Power depends on expertise and is shared between individuals – *a people culture*

Which of the following best describes the *management style* in your organisation or area?

- Management is entrepreneurial, marked by individualism and risk-taking – *a tough-guy culture*
- Management is based on fun and activity, with good team workers and high achievers, often young – *a work-hard, play-hard culture*
- Management is based on big-stakes decisions, and technical expertise is respected – *a bet-your-company culture*
- Management is a traditional bureaucracy, with emphasis on how things are done, not how much – *a process culture*

Which of the following best describes the *values* in your organisation or area?

- Conformity is achieved through rules, procedures and attention to detail – *a hierarchical culture*
- Readiness and adaptability achieve growth, and innovative leaders with vision focus on the external environment – *a developmental culture*
- Training and development of human resources achieve cohesion and morale, managers encourage and mentor employees, and compliance flows from trust, tradition and allegiance to the organisation – *an employee-centred culture*
- Planning and goal setting achieve productivity and efficiency, managers link goals, objectives and rewards to outcomes, and productivity and efficiency are major goals – *a market or results-oriented culture*

How can you observe culture in your organisation?

You can observe culture – or sub-cultures – in your organisation by finding out what people say, do, think or feel. Remember that all aspects of culture are not equally easy to observe, nor do they have equal effects.

Schein, one of the most widely read writers on culture, suggests that culture can be observed on three different levels:

- tacit assumptions of the group – their widely held, ingrained subconscious views
- espoused values – preferences for outcomes and means of achieving them
- day-to-day behaviour or artifacts, i.e. rituals, slogans, traditions, myths reflecting values

Martins and Terblanche (2003) suggest that culture can be observed in those aspects of an organisation which culture can influence:

- mission and vision
- external environment
- means to achieve objectives
- image of the organization
- management processes
- employee needs and objectives
- interpersonal relationships
- leadership

Case studies of VET cultures

Developing a learning culture

A case study of Unley City Council showed how it developed a learning culture in response to challenges of amalgamation, budget pressures and an increasingly competitive external environment. It developed structures and systems that encouraged staff and work teams to develop their own goals and strategies, as well as a new orientation – a commitment to client service.

The Assistant City Manager drove change at the council. Key elements in developing the learning culture were: the encouragement of formal training and education programs; support of employees by management at all levels; and a

climate of mutual support and learning within the team environment.

However, problems in developing the culture were caused by anxieties of professional and white-collar staff. Occasional lack of support by senior management and a breakdown in trust and communication during enterprise bargaining negotiations also slowed development of the learning culture.

From: *Case studies of organisations with established learning cultures*, (Johnston & Hawke 2002)

Developing an innovative culture

A series of VET case studies showed the characteristics of cultures that foster innovation.

Such innovative organisations:

- promote innovation as a core capability in a learning culture
- have failure-tolerant leaders who create a culture of intelligent risk-taking
- develop the capacity to identify, reward and recognise their innovators
- develop partnerships and networks
- base innovations on relationships in teams and communities of practice

For example, one case study showed how the Institute of TAFE Tasmania adopted an innovative learning culture approach to training packages, exploring more flexible and work-based strategies to facilitate student learning.

Another showed how the Gold Coast Institute of TAFE explicitly built into its strategic planning the goal of developing and nurturing an innovative culture to encourage research and implementation of innovative products.

The Victoria Institute of Technology was also innovative in managing large partnerships in transport logistics. A culture with high levels of trust, close working relationships and shared risk-taking helped deliver clusters of practical skills. From: *Building innovative VET organisations*, (Callan, 2004)

Culture and capability

Links between culture and organisational effectiveness have been observed in studies of many businesses. For example:

- Honeywell's re-examination and redesign of the corporate culture was seen as the critical element in reversing their falling revenues (Dunphy & Stace, 1990)
- People Express Airlines' entrepreneurial culture provided for early growth, but did not provide stability and control necessary for a mature organisation. Tensions between individual and collective values also damaged effectiveness (Denison, 1990)
- Detroit Edison's culture developed tremendous inertia over a long period of time, and this restricted its ability to adapt (Denison 1990)
- Steinberg Enterprises showed that even a successful culture does not survive if the main culture carriers depart and if the bulk of members experience conflict because of mixed messages from leaders during growth (Schein, 2004)

Further reading

Three **basic texts** on organisational culture are:

- Schein, E 2004, *Organizational culture and leadership*, 3rd ed, Jossey-Bass, San Francisco.
- Martin, J 2002, *Organizational culture: Mapping the terrain*, Sage, Thousand Oaks, California.
- Alvesson, M 2002, *Understanding organizational culture*, Sage, London.

Other **references** in this fact sheet are:

- Callan, V 2004, *Building innovative VET organisations*, ANTA, Adelaide.
- Deal, T & Kennedy, A 1982, *Corporate cultures: the rites and rituals of corporate life*, Addison-Wesley, Reading, USA.
- Denison, D 1990, *Corporate culture and organizational effectiveness*, Wiley, New York.

- Dunphy, D & Stace, D 1992, *Under new management: Australian organizations in transition*, McGraw-Hill, Sydney
- Johnston, R & Hawke, G 2002, *Case studies of organisations with established learning cultures*, NCVER, Adelaide.
- Martins, E & Terblanche, F 2003, 'Building organizational culture that stimulates creativity and innovation', *European Journal of Innovation Management*, vol.6, iss.1, pp.64-75

A draft **review of literature** on organisational culture in the VET sector is now available on the consortium research program website:
<http://www.consortiumresearchprogram.net.au>

Questions for discussion

Further information and discussion on organisational culture can be found on the consortium research program website:
<http://www.consortiumresearchprogram.net.au>

You can contribute to a forum discussion on organisational culture on the website. It focuses on these questions:

- ? Are cultural differences a disadvantage to your organisation or a strength?
- ? Can an understanding of culture help to predict what will happen in your organisation?
- ? What will give you an understanding of your organisation's culture?
- ? Who will benefit in your organisation from an understanding of culture?

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Research activity 4 is a project on Organisational Culture and Structure, and the research team is Berwyn Clayton, Andrea Bateman, Mike Brown and Roger Harris. It is one of nine research activities in the consortium research program.