

The Importance of corporate culture in transformative programs

Dr .Volker Doberanzke

Abstract

Transformation is a critical business practice that facilitates the improvement of fundamental processes and procedures. Although well-intended, the success of transformative programs is indeterminate. Corporate culture has been established as a key factor influencing transformation. This paper was designed to evaluate the role of corporate culture in transformative programs. The classification of corporate culture into artifacts, values, and assumptions was found to demonstrate the influence of culture in change programs effectively. Artifacts represent aspects of culture and issues that are visible and decipherable by decision-makers and members of an organization. However, decisions and solutions developed based on artifacts are often inaccurate since visible elements and data represent symptoms of underlying problems. Decision-makers must also consider invisible factors, such as values and assumptions that actualize artifacts. The implications of cultural values and norms on key business functions, including marketing, creativity, and innovativeness, are outlined. Whenever decision-makers fail to account for the obvious and non obvious features of culture, transformative programs are compromised. Transformative programs succeed when accompanied by cultural transformation.

Keywords: transformative programs, corporate culture, corporate values.

Introduction

Transformative programs involve the implementation of fundamental changes in business operations. The primary goal is to identify underutilized and inefficient processes and procedures so that relevant solutions and improvements can be developed and implemented (Verhoef et al., 2019). Consequently, managers can ensure that only optimized processes and procedures are being used in an organization, which enables measurable improvement in critical business operations. Transformations can be focused on processes associated with multiple functions within an organization such as personnel, technology, customer satisfaction, market share, revenue, expenditure, and warehousing (Buschmeyer et al., 2016)

Considering the multiplicity of business functions, each organization can benefit from specialized transformative programs depending on inherent needs (Jalagat, 2016). Key applications of transformative programs include the alignment of a company with newly established strategic goals, the promotion of innovation, and reduction of costs (Distanont & Khongmalai, 2020; Abdelaal et al., 2018). When organizational management formulates new goals such as entry into a new market or the introduction of additional products, the improvement of current processes relevant to the new venture is necessary to ensure success (Abdelaal et al., 2018). Similarly, failure to push existing boundaries and adapt new technologies can cause an organization's innovation goals to fail, while cost-cutting is primarily dependent

on the update of processes or equipment to maximize productivity (Distanont & Khongmalai, 2018; Abdelaal et al., 2018). Business transformation is crucial in the improvement of efficiency and effectiveness.

However, for many organizations, transformation is a complex undertaking that often fails. While examining the reasons for the failure of transformative business programs, McKinsey (2016) found that failure results primarily from fear and complexity, which prevent concerned individuals from embracing change. Fear can be caused by insecurities in one's skills, knowledge, power, and freedom relative to impending transformations (Dent & Goldberg, 2013). The fear of failure, the unknown and poor outcomes in the new business environment, especially, has been attributed to the ineffectiveness of transformative programs (Dent & Goldberg, 2013). Markedly, employees within an organization are often accustomed to a specific 'way' of performing their duties and responsibilities.

In particular, organizations are characterized by certain attitudes, beliefs, customs, as well as written and unwritten codes, all of which constitute organizational culture (Morcos, 2018). These customs and beliefs are developed over time and are considered valid due to continued application. The development of values and beliefs could be attributed to shared experiences among members of an organization, particularly when solving problems related to external adaptation and internal integration. The values that have facilitated organizational growth over time tend to be considered as valid and are passed on to new employees.

Subsequently, members of an organization adopt similar ways of perceiving, thinking, and feeling regarding the issues in question. By extension, organizational culture also includes business goals, processes, norms, systems, language, and symbols (Schein, 2010). Culture is embedded in the actions, intentions, skills, and perceptions of employees and can cause employees to become steadfast to the point that they resist change and tolerate mediocrity (Kat-zenbach et al., 2012). Therefore, transformative programs can fail if not designed to impact organizational culture. Researchers have confirmed that corporate culture plays a critical role in business transformation (Iljins et al., 2015; Sayers & Smollan, 2009). Cultural influences are at play whenever change programs are underway. Change managers should remain aware that culture can either block or facilitate the new actualities being implemented to improve business.

Importance of corporate culture

A concise understanding of the characteristics of organizational culture is necessary to perceive related impact in transformative programs. Corporate culture refers to shared meanings held by members of an organization such that the institution is differentiated from other companies. Culture can also be perceived as an invisible power that connects members of an organization and is a crucial determinant of behavior (McGee, 2017). The cultural model developed by Schein (2010) classifies these vital elements of culture into artifacts, values, and assumptions. Artifacts represent the physical characteristics of an organization that can be viewed and felt by employees and visitors, values include behaviors, attitudes, and customs, while assumptions encompass beliefs that are considered as valid and so are never challenged (Dauber et

al., 2012; Schein, 2010). The levels of organizational culture are based on the hypothesis that culture is to organizations what character is to individuals. Principally, culture is inseparable from an organization as it is the sum of phenomena beneath the surface and within the organization that determines and restricts behaviors. Notably, culture affects leaders and employees alike. The classification of culture into artifacts, values, and assumptions provides essential indications as to when and how critical variables change to enable meaningful and comprehensive information for the successful implementation of transformative programs.

Artifacts represent the first level of organizational culture that should be targeted by transformative initiatives. According to Schein (2010), artifacts include the total of phenomena that one sees, hears, and feels when encountering members of an organization. The physical appearance of organizational buildings and offices, the language and technology in use, its products and services, as well as artistic displays, are classified in the artifacts category. Since these characteristics are visible to the senses, transformative programs should be structured towards their alignment with proposed objectives and realities. Artifacts are evident in the way that members of an organization dress, the kind of stories in circulation, manner of interactions, emotions being exhibited, lists of values in publications, and notable rituals during ceremonies. Thus, transformative programs could also be designed to influence the appearance of a company to a more appropriate style for new company goals.

The lists of values published on company websites and documents should be reevaluated and changed as needed. Also, interaction tendencies, including language, emotional displays, and types of stories they tell, should be examined and – as appropriate – further developed. Markedly, Schein (2010) stated that artifacts are easily observed but challenging to de-cipher owing to pervasiveness within charters, structures, and formal descriptions of an organization. Consequently, the design of transformative programs should be deliberate to ensure that the meanings attached to artifacts are identified and addressed.

The second level of organizational culture entitled values provides additional insights into artifacts and provides leeway for the development of transformation programs with significant impact. Values and beliefs are developed over time and considered valid by the original and incoming members of an organization (Schein, 2010). For instance, in a new organization that is experiencing a decline in sales, the manager can proclaim that the best course of action is to increase advertising. The statement by the manager demonstrates a personal belief that when a business intends to improve or sustain sales, advertisement is the most effective solution. If, indeed, sales increase after the implementation of the proposed solution, members of the organization can hold the value that advertising is a responsive solution whenever sales decline. This value becomes embedded in marketing processes and will be reflected in company artifacts such as advertising strategy and related documents (Schein, 2010). With time, members of the organization can forget that advertising is not absolute truth but rather a previous proposal that generated positive results.

However, advertising as a solution to declining sales is not a long-lasting strategy in the modern business environment characterized by heightened competition. Regular change in contemporary business strategies is necessary to improve an organization's

competitive edge. Notably, the transformation of the advertising approach described above implies that the values and beliefs of members must be changed. Change programs should therefore focus on trans-forming the shared experiences of employees regarding advertising and device strategies of changing their views and perspectives.

Consequently, members will be more receptive to change and will support instead of hampering new processes and procedures. The importance of targeting values has been con-firmed by Amis, Slack, and Hanings (2002), who stated that organizations containing members with values that are compatible with proposed changes are more successful while implementing transformative programs. Organizations must create new values for members for successful transformation (Naveed et al., 2017). Furthermore, the values and beliefs that individuals held at the conscious level are evidenced by the artifacts that are seen, felt, and heard. Business transformation succeeds when the values of employees and artifacts are changed to align with the new reality.

Assumptions consist of the third level of an organizational culture that is also critical to successful transformative programs. Assumptions are facilitated by values and artifacts. Using the above advertising example, members of the organization believed advertising to be a value 3 owing to its repeated implementation and success. Although advertising as a solution was initially a proposal and the value of one individual, with time, it became a standard value for all members. Modern organizations undergo similar processes that implant assumptions as accepted truths. Basic assumptions are taken for granted for extended periods with consensus among involved individuals such that they are no longer questioned (Schein, 2010).

Instead, assumptions become standard procedures in the implementation of employees' duties and responsibilities. Schein's (2010) observations indicate the importance of designing transformative programs that influence the fundamental assumptions of employees. Addressing assumptions is likely to cause a change in both the values and artifacts levels of culture and result in successful business transformation.

Change managers should distinguish prevalent assumptions among employees and focus on alteration through transformative programs. Gjerald and Ogaard (2012) confirmed that assumptions could influence employees' behavior towards customers and job performance negatively. As a result, the overall performance of an organization is compromised. Also, assumptions can cause resistance to change (Bringselius, 2014). Notably, when assumptions are un-fulfilled, employees can react with anger and frustration. Transformative programs can succeed by challenging outdated assumptions and creating new ones that enable the achievement of organizational goals.

Transformative programs should be designed to help employees realize that assumptions based on past experiences and values can harm the organization in the long run (Schein, 2010). Members tend to make and sustain assumptions without undergoing problem-solving methodology such that issues and alternative solutions remain unexplored. Communication can be used to help individuals discern, evaluate, clarify, and redefine values based on current and relevant evidence (Johansson &

Heide, 2008; Simoes & Esposito, 2014). When assumptions have been addressed, the values and artifacts associated with critical business processes change, thereby facilitating transformative programs.

Transforming the visible and invisible

The role of corporate culture in transformative programs is also evidenced by the iceberg principle (see Figure 1 below). Also known as the theory of omission, the iceberg principle is based on the fact that only 10% of icebergs are visible, while the remaining 90% is hidden beneath water surfaces (Wild & Diggines, 2010). Thus, when an individual comes across an iceberg, what they see is only a 'tip' of the iceberg. Decisions made based on the part of the iceberg that is visible are likely to be substantially inaccurate. Similarly, the iceberg principle indicates the importance of considering multiple aspects and functions of an organization while implementing transformative programs since a significant proportion of critical data regarding a situation is invisible.

The decision-makers visible in figure 1 above demonstrate the importance of considering the aspects of a situation that are invisible and visible while designing transformation plans. The first decision-maker is arguably proactive based on their use of a telescope to inspect the distance for potential masses that can affect the ship. But, this decision-maker is likely to direct the vessel based on the proportion of the iceberg that they can see. The ship will be adversely affected by the more substantial portion of the iceberg that remains hidden. In contrast, the second decision-maker who is submerged in the ocean is likely to reach a more effective decision after considering both the visible and invisible sections of the iceberg. 4

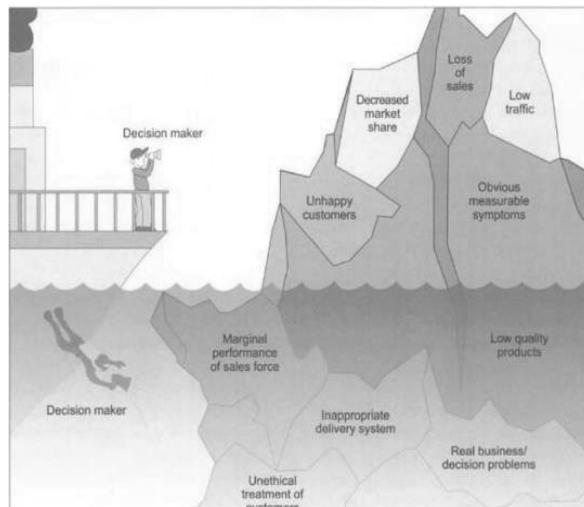


Figure 1: The Iceberg Principle

Source: Wild and Diggines, (2010), p. 43

The application of the iceberg principle in transformative programs suggests that

visible problems and issues are symptoms of underlying problems. According to Wild and Diggins (2010), problems arising within organizations such as a decline in sales are symptoms of a principal issue requiring attention and decision-making. While the decrease in sales is the sign that individuals can see, beneath the surface, manifold elements can be attributed to the problem, including ineffective marketing and advertising, negative employee attitudes, or uncompetitive pricing. Markedly, these causal factors relate directly or indirectly to organizational culture, which encompasses shared business goals, processes, norms, systems, language, and symbols (Schein, 2010). When implementing a transformative program to address the issue of declining sales, the causal factors must be considered.

The iceberg principle also proposes that organizational culture is similar to an iceberg, with visible and invisible parts. As described above, artifacts represent those aspects of an organization that are seen, heard, and felt, including artistic displays and products. Artifacts encompass the proportion of an iceberg that is visible to individuals within organizations, as well as visitors. However, artifacts are actualized by values and assumptions, both of which are invisible and challenging to decrypt. Within the context of the iceberg, values and assumptions are “under the water” (Matko & Takacs, 2017). The real culture is beneath the surface. Values and assumptions are invisible codes of conduct and standards that are developed and validated over time such that they influence individuals and processes inadvertently. The thought processes and individual values of members impact business operations substantially. Since culture is embedded in the actions, intentions, and behaviors of employees and leaders, transformative programs must address culture as a critical part of the invisible proportion of an iceberg. Notably, the more substantial portion of an iceberg that remains hidden is the most resilient (Zaborek, 2015). Based on Schein’s cultural model, the effect of culture on processes, procedures, and problems within organizations is unlikely to be visible.

Corporate culture as critical element in the transformation of business functions

The influence of corporate culture on business operations has been investigated extensively. Kiurmasi, Isa, and Navi (2015) confirmed the impact of culture on the creativity and innovativeness of business through a literature review. The shared values, beliefs, and behaviors of members of an organization were found to affect creativity and innovation in two primary ways. First, prevailing cultural norms and customs within an organization are shared among employees through the process of socialization (Kiurmasi et al., 2015). Members learn the basics of organizational operations from the uptake of existing values and assumptions. Second, these assimilated values and beliefs formulate the structure of the organization associated with creativity, such as policy, support mechanisms, and management approaches (Kiurmasi et al., 2015). If these values are founded on innovativeness, members are likely to adapt creativity as part of the organizational culture. In contrast, organizations with a culture characterized by diminished creativity will transmit these values to all members. Kiurmasi et al. (2015) concluded that organizational culture is a fundamental determinant of business creativity. While improving

innovativeness, the designers of transformative programs must consider potential cultural influences. Once implemented effectively, change programs can enhance the creativity of business by changing the culture to support work conditions that enable individuals to voice and execute creative ideas (Martins & Terblanche, 2003). Organizational culture should be changed to encourage the generation of new ideas, the pushing of individual limits, risk-taking, and creative conflict management. Similarly, the importance of designing transformative programs to improve marketing functions through a change in organizational culture has been evidenced. The autonomy of organizations on their brand image has reduced over the years (Larentis et al., 2018). Today, consumers pay attention to the actions and behaviors of leaders and employees compared to messages depicted in advertisements and reports. Words must follow actions if they are to be taken seriously (Zhao, Teng, & Wu, 2018). Also, consumers are increasingly considering the values, mission, attitudes, and philosophies of businesses before supporting and consuming products (Kumar, 2016). An organizational culture based on innovation, communication, and trust is likely to attract support compared to companies with undesirable culture. Transformative programs designed to increase sales must account for invisible elements, such as culture, that tend to cause the withdrawal of support by consumers. Gillespie et al. (2008) also demonstrated that marketing is affected directly by the value system within an organization. Businesses with a culture that emphasizes integrity, involvement, and consistency, for example, are more prone to address the needs of employees. Once these needs are fulfilled, employees develop a trust relationship with the company (Tsai, 2011). Heightened satisfaction levels among employees increase passion for the company, products, and consumers, all of which contribute significantly to the achievement of the end goal of marketing, satisfied consumers.

Corporate culture as a barrier to business transformation

The influence of culture on business processes is challenging to decipher due to its unobvious nature. Consequently, culture is identified as a barrier to business transformation (Bruch et al. 2005). Specifically, if values, beliefs, and attitudes of employees are incompatible with the goals of transformative programs. Enacting changes that oppose established and incompatible cultural values is a difficult mission. Even though members understand the importance of change, the fact that inherent values are incompatible with the proposed transformation can weaken their resolve to accept fresh ideas (Bruch et al., 2015). Transformations that are likely to be hampered by organizational culture include the discontinuation of a popular program that is no longer facilitating company objectives (Al-Alawi et al., 2019). The transformation may be beneficial for the organization, and members may even realize related benefits. However, adopting the new reality may be perceived as a major conflict with existing norms, thereby causing resistance (Bringselius, 2014). To effectively eliminate cultural barriers to change, transformative programs must be developed to address both visible and invisible elements of a problem. Transformative programs should align cultural norms with the intended reality so that the anxiety and fear of affected

persons are subsided (Phelan, 2005). As well, new norms and values can be created to replace the existing culture for sustainable change. If decision-makers fail to discern the correct assumptions and values influencing change, the alignment of culture to proposed changes can fail (Armenakis & Lang, 2014). Once culture has been changed to suit the new working conditions, new values will be institutionalized to sustain the reformed processes. Celep et al. (2016) stated that cultural transformation is a vital constituent of large-scale change programs. It consists of the vocalization and persistent, long-term advancement of the values, customs, norms, and day-to-day behaviors that enable members of an organization to align and restrain their actions for business growth.

Effective business leaders recognize the importance of cultural transformation as a means of achieving meaningful business renovation. A notable example involves the Ford Foundation. In a statement, the CEO, Darren Walker (2015), recognized that inequality persisted despite the efforts of the Ford Foundation and expressed his commitment to improving the effectiveness of their programs. Consequently, the foundation launched a list of six new program areas that would help the institution to better perform its mandate of addressing inequality. However, the organizational culture at the time was “unnecessarily hierarchical and bureaucratic” (para. 5). In addition, the decision-making norms in the company were identified as “slow and opaque” (para. 5). The proposed changes were destined to fail unless the culture was transformed. Walker’s statement depicted a recognition that the problem in question (persistent inequality) was a symptom of underlying issues that needed to be addressed as part of a lasting solution. Structuring organizational culture is instrumental in the furtherance of trans-formation strategies.

Conclusions

Corporate culture has been established as critical in the successful implementation of trans-formative programs. Transformative programs are developed to improve the effectiveness of business processes and procedures by addressing inherent issues. Transformation can enable the reduction of costs, improvement of innovation, and the alignment of businesses to strategic goals. Nonetheless, these key functions are performed by members of an organization, whose personalities, duties, responsibilities, and behaviors are determined by organizational culture. Culture can be organized into artifacts, values, and assumptions. Artifacts are aspects of a culture that can be seen, heard, or felt and have been likened to the proportion of an iceberg (10%) that is visible to decision-makers. However, artifacts are objectified by values and assumptions, both of which are invisible and representative of the larger proportion of an iceberg (90%) that remains hidden. Markedly, the proportion of the iceberg that is invisible has the most devastating impact on a ship. Transformative programs must be designed to address both the visible and invisible aspects of organizational culture to achieve meaningful success.

The paper also contains findings by multiple researchers indicating the impact of culture on key business functions. Kiurmasi et al. (2015) evidenced the role of culture in determining the creativity and innovativeness of a business. Martins and

Terblanche (2003) confirmed that businesses ought to transform culture to support the generation of novel ideas and risk-taking and realize significant change. Larentis et al. (2018) and Zhao et al. (2019) provided insights into current trends whereby consumers are focusing more on the actions of members of organizations compared to advertisements. The culture of an organization is a key marketing tool. To transform key and critical processes of a company, therefore, cultural changes are necessary. Where decision-makers have failed to address culture during business transformation, the values, attitudes, and norms of employees have emerged as key barriers to the realization of new realities. Members of an organization can align their actions and behaviors towards sustainable business growth following the transformation of existing culture to personify new working conditions.

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