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Organizational Culture and Organizational Life Cycle

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Abstract

An organizational dominant type of culture is good only if it fits its context, whether one means by context the objective conditions of its industry, that segment of its industry specified by a firm's strategy, or the business strategy itself. Organizational Culture can remain very stable over time yet it is never static. The purpose of this article is to indicate the different dominant organizational culture types that matches and adapts with the different circumstances that a company faces throughout its life cycle.

Introduction

According to Cameron and Rohrbaugh [1] researches evidently show that both new and small organizations tend to progress through a predictable pattern of organization culture changes without recognizing that they do so, while culture change occurs in a less predictable pattern in large and mature organizations in a way that must generally be managed consciously. To this end, life changes, and those changes frequently affect culture of organizations. Trends in society evolves, markets shift, and key people come and go. Moreover, what worked for a company in the past may no longer fit the present reality [2]. Accordingly, the way in which culture can and does change depends upon the stage at which the organization finds itself [3]. Meanwhile Rollins & Roberts confirm that, given specific market dynamics, an organization must adopt certain work cultures if it is to become or remain a high performance market leader. This means that any organization's progress should align over time with the type of dominant culture it acquires or should acquire; meaning that when any company starts, it usually starts with an entrepreneur who has an innovative idea on which he/she believes it can be a base of a fruitful business. If we align the dominant type of organizational culture that exists in this very early stage of the company's life cycle, based on the Competing Values Framework, we will see that the Adhocracy Culture type should dominate; since the company does not need any formal structure, at this early stage, as it is often led by a single, powerful, visionary leader.

Over time, if the business is going well, the company moves from the beginning stage and Adhocracy dominant type of Culture to the beginning of the growth stage. The project starts to prove its success and the entrepreneur as well as the very few hired employees, start reaping the very first harvest layers. Thus a family feeling and a strong sense of belonging accompanied with personal identification dominate all over the workplace. Again, the type of culture dominates in this early growth stage, based on the competing values framework, is the Clan Culture. As the company develops over time and reaches high growth levels, the owner recognizes that he needs to hire more professional people and to have a more structured organization where clear policies and procedures manage all types of operations and where there are different departments and occupational hierarchy. Hence, although the company is still in the growth stage of its life cycle, it now needs to move from the single owner type of management, where the owner rules and manages everything inside his company, to a real organization where policies, regulations and procedures govern each and every employee and manager inside the organization. Thus the company moves normally to the third dominant type of culture, which is the Hierarchy Culture. The drawback of this transitional culture (from Clan to Hierarchy) is that people feel that their organization has lost the friendly and personal feeling that once characterized the workplace, accordingly, personal satisfaction starts to decrease as a result of culture automatic and unintended shift. More growth is usually faced by more competition. Companies find that their sales revenues and profit margins are not leaping anymore as before and that competition becomes tougher, hence, companies reach a new stage in their life cycle, which is the maturity stage. To face such challenge, companies find themselves obliged to shift to a new dominant type of culture, which is the Market Culture where the focus shifts from impersonality and formal control inside the organization to a customer oriented and competition inside the organization. Meanwhile, in order to remain strong and not to lose track, companies might also be in need to shift to the Adhocracy dominant type of Culture and to encourage innovation and creativity in order to be more competitive and gain more market share. Companies might need a mixture between both the Market and Adhocracy Cultures to avoid reaching the declining stage. Companies might also use such mixed cultures aiming at not only remaining as much as they could in the maturity stage but also go back to the Growth stage where profit margins and developments are very high (Figure 1).

Moreover, it is a fact that sub units develop their own sub cultures inside organizations, depending on the type of work they handle, meaning that some type of works need some type of sub cultures to succeed. For example, the Finance departments tend to apply the Hierarchy culture as a dominant one rather than other departments like Marketing, Sales and that their job nature and tasks require adopting the Market culture as a dominant type while the R& D adopts the Adhocracy culture and so on. Hence every sub unit should understand the sub culture of other units in order to communicate effectively and avoid internal conflicts. That does not deny that mature organizations should be dominated by one dominant type of culture that matches with its current stage and market conditions. For that, some problems that face new and small companies represented in their inability to shift cultures at a time where new circumstances exist. For example, we can see a company that is growing rapidly, yet its owner insists on acting

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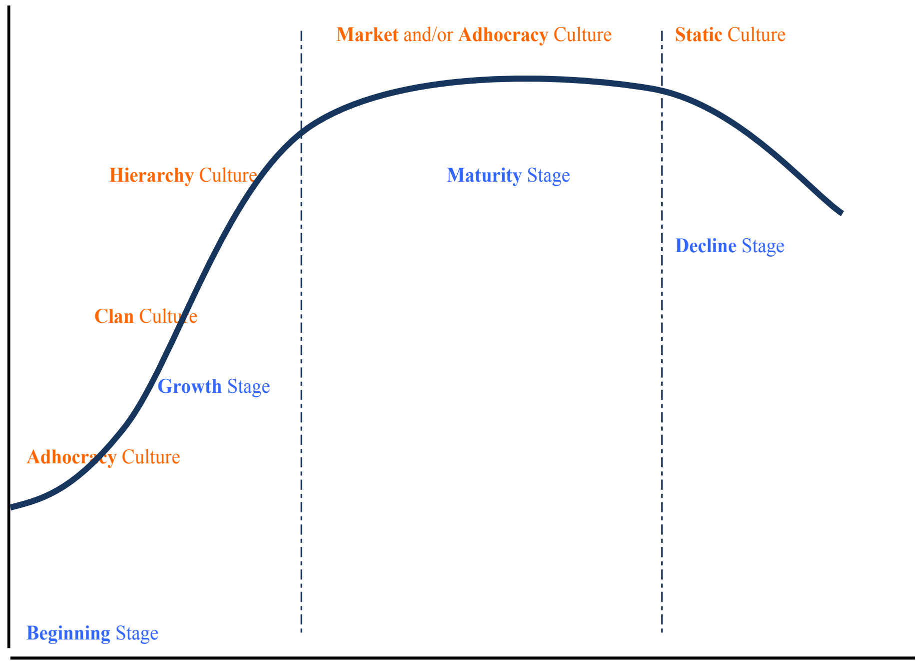

Figure 1: Organization life cycle and types of culture.

as a one man show, remaining in the Clan Culture as a dominant type of culture and refusing to delegate other members part of the decision making process. Another example is when we see that the market is becoming more competitive; however company's employees and management reject the fact that they need to move to a new culture rather than the Clan type in order to face such challenges. Therefore, Sull [4] believes that the problem is not an inability to take action but an inability to take appropriate action. Meaning that the current culture push them to stick to same frames of thinking and acting that do not react correctly to the new circumstances around, although managers feel that they are taking quick actions and responses to new changes. Sull calls that "Active Inertia" that is defined as an organization's tendency to follow established patterns of behavior-even in response to dramatic environmental shifts". He believes that companies fail when they become stuck in the modes of thinking and working that brought them their initial success, yet when business conditions change, their once-winning formulas instead bring failure. Meaning that, those factors that once brought them success are the same that bring them failure because such factors could not react in a different appropriate manner to new conditions around. In other words, the set of strategic frames that determine how managers view the business become blinders if they do not react and change as a result of new circumstances around. Also the processes that show them how things are done within their organizations start to be a set of routines, while the relationships that tie organizations to their employees, customers, suppliers, distributors and shareholders hinder them from developing new products or focusing on new markets. Most importantly the values that used to inspire and unify its people do not act like that anymore, as when companies mature, such values often harden into rigid rules and regulations if they do not foster their employees to react positively to new environmental changes. In view of the above, both Kotter and Heskett argue that although it is widely believed today that strong cultures create excellent performance, the recent experiences of nearly two hundred firms do not support that theory. They concluded that performance will not be enhanced if the common behaviors and methods of doing business do not fit the needs of a firm's product or service market, financial market, and labor market. Strong cultures with practices that do not fit a company's context can actually lead intelligent people to behave in ways that are destructive and that systematically undermine an organization's ability to survive and prosper. They also added that even contextually and strategically appropriate cultures will not promote excellent performance over long periods unless they contain norms and values that can help firms adapt to a changing environment. Similarly, Deal and Kennedy [5] argue that one of the most serious risks of a potent system of shared values is the economic circumstances can change while shared values continue to guide behavior in ways no longer helpful to the organization's success. In this sense, a culture is good only if it fits its context, whether one means by context the objective conditions of its industry, that segment of its industry specified by a firm's strategy, or the business strategy itself. The better the fit, the better the performance, while the poorer the fit, the poorer the performance [6]. In viewing the above, the role of culture experts is to diagnose the current dominant culture(s) found in an organization at a certain period of time and see of this type of culture helps the whole organization achieve its objectives or a culture change should occur. Hence, there is no good and bad culture, it is the time, environment, and circumstances that dictate the type of culture(s) that should dominate in order not to go out of market. Hence, different organizational cultures may be appropriate under different conditions, with no one type of culture being ideal for every situation [7]. It is not all four types of cultures must be emphasized equally. Rather, it is that the organization must develop the capability to shift emphases when the demands of competitive environment require it [8]. Hence, Cultures can be very stable over time, but they are never static. Crises sometimes force a group to reevaluate some values or set of practices. New challenges can lead to the creation of new ways of doing things. Turnover of key members, rapid assimilation of new employees, diversification into very different businesses, and geographical expansion can all weaken or change a culture.

Conclusion

In view of that, when we see a company writing under its logo “since 1950” for examples, that is a clear indication that its strong, yet, adaptive Organizational cultures was capable enough to support it overcoming obstacles and survive and live longer with healthier financial results and performance. Hence, this should be the real impact, importance, and benefit of organizational culture. Finally, Peters and Waterman [9] found that strong, adaptive cultures were essential elements of excellent companies.

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