ORGANISATIONAL CULTURE AND THE TRANSFORMATIONAL REQUIREMENTS FOR THE KNOWLEDGE AGE

D. KOKT

ABSTRACT

The important impact of an organisation's cultural orientation is often not fully comprehended by management and staff. Organisational culture as the 'soul' of an organisation forms the basis of all decisions that are taken in organisational context. In the Knowledge Age, where service delivery has become a crucial consideration organisations must be creative in dealing with its internal and external customers. In a competitive international environment organisations may find it difficult to apply the cultural principles that correspond with that of the Knowledge Age. This paper argues that in order for organisations to adapt successfully to the challenges of the Knowledge Age, they need to comprehend the fundamental influence of organisational culture, and how a focus on both internal and external stakeholders, could benefit the organisation. The arguments of this paper are based, in part, on an investigation of the organisational culture of a major private security company in South Africa.

Keywords: Organisational Culture, Industrial Age, Knowledge Age

1.   INTRODUCTION

The Industrial Age with its rigid, controlling organisational structures has been irrevocably changed by principles of flexibility and adhocracy in the Information Age. A prominent characteristic of this change is the consideration given to the human factor as a crucial component of organisational success. As the Industrial Age transcended into the Knowledge Age, even more emphasis was placed on a people-oriented character in organisations (Dreikorn & Zilbershtein, 2005:189). This shift from an industrialized age economy to a knowledge age economy has the potential to create numerous challenges for organisations. One of these challenges is adapting to an entirely new paradigm of organizing and managing.

'Staying the same' or consistency is according to Cameron & Quinn (2006:1) equal to stagnation and must therefore not be part of any organisations long term strategy. This notion is supported by an investigation into several failed organisations, where the main reason for company failure was attributed to the inability of management to recognize the affect of organisational culture on continued sustainability (Cameron & Quinn, 2006:1). This compels one to re-think the role of organisational culture in a changing age, notably the Knowledge Age.

A focus on organisational culture is of fairly recent origin. It is only from about the beginning of the 1980's that organisational culture studies received serious attention from scholars (Ouchi, 1981, Pascale & Athos, 1981, Peters & Waterman, 1982). This focus on organisational culture was strongly influenced by the Japanese (like, Ouchi & Jaeger 1978), which claimed that a strong organisational culture resulted in economic success, as demonstrated by the accomplishments of numerous Japanese companies (Altman & Baruch, 1998:769, Cameron & Quinn, 2006: 16).

In studying the effectiveness of organisations Cameron & Quinn (2006) linked organisational culture to organisational effectiveness [also see Quinn and Rohrbaugh (1981; 1983) and Rohrbaugh (1981) Quinn (1988)]. Organisational effectiveness was not a prominent consideration in the Industrial Age economy, but in the Knowledge Age it has become indispensable. The primary shift from the Industrial Age to the Knowledge Age involved a shift from a focus on 'things' to a focus on people. The 'things-mindset', as Covey (2006:24) calls it, revolved around equipment, money and technology, forgetting any person-oriented issues. In the knowledge economy the focus has shifted to processes, technology and products. The main difference lies in the fact that the Industrial Age economy viewed people as an 'expense', and the Knowledge Age economy views them as an 'investment' (Covey, 2006:24). Needless to say, this is a fundamental change, necessitating organisations to respond.
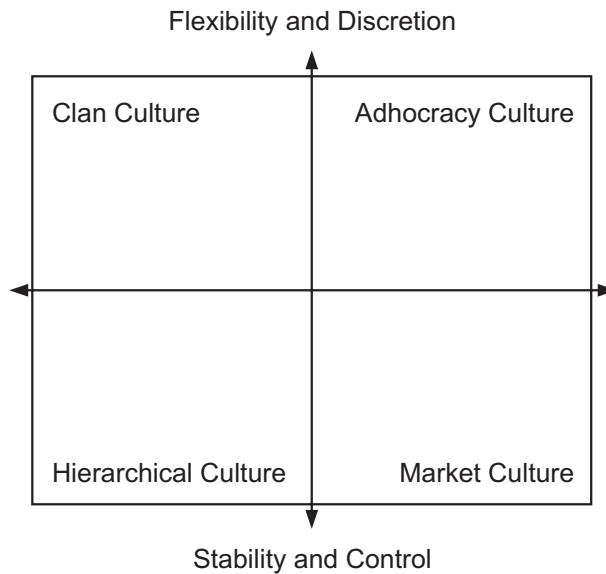
In this sense, this article examines the transition from the Industrial Age to the Knowledge Age, and the subsequent changes organisations need to make to adapt to a service-oriented environment. In order to comprehend this paradigm shift that needs to take place the Competing Values Framework (CVF) (Cameron & Guinn, 2006) will be used as conceptual guide.

2.   THE COMPETING VALUES FRAMEWORK (CVF)

According to the Competing Values Framework (CVF) the performance indicators used in the analysis of organisational effectiveness are based upon the underlying values prevailing in a certain organisation. The key assumption underlying the competing values approach is that a number of competing values are held by the various stakeholders, which could lead to competing goals and objectives in organisational context. Cameron and Quinn (2006:46, Quinn, 1988) found that after applying the competing values framework to thousands of organisations, most organisations developed a dominant culture, and in more than 80 percent of organisations one or more dominant cultural types can be distinguished.

If an organisation does not have a dominant cultural type or if the four cultural types are equally emphasised, organisations tend to be unclear about their culture. The Competing Values Framework proposes four cultural types that constitute opposing values. Figure 1 details the model.

Figure 1 Constituents of the Competing Values Framework (CVF)

Flexibility and Discretion

Clan Culture	Adhocracy Culture
Hierarchical Culture	Market Culture

Stability and Control

Source: Cameron & Quinn, 2006

Figure 1 distinguishes two primary dimensions that reflect preferences for *stability and control* and *flexibility and discretion*, possessing either internal or external constituents (Howard, 1998:234). Crossing these two dimensions at their centres produces four distinct organisational types. The four types include Hierarchical, Market, Clan and Adhocracy Cultures. The discussion commences with the Hierarchical Culture which represented the Industrial Age and moves to the Adhocracy Culture that represents the Knowledge Age.

2.2   The four major culture types:

2.2.1   Hierarchical Culture

As indicated above, the foundations of the Hierarchical Culture can be found in the Industrial Age. The modern study of 'management' originated around the 1900's. Before this period businesses did not employ a planned, systematic structure for accomplishing tasks. It's probable that the management process started with the family unit, then the tribal unit and then the more formalized units that characterized Babylonia in 5000 B.C (Ivancevich, Konopaske and Matteson, 2008:9). No theoretical knowledge existed and the management process operated on a trial and error basis. This even applies to the building of the Pyramids and the Great Wall of China. The situation persisted until the inception of the Industrial Age in the 1700's. In this the English was the first to embrace the Industrial Age.

Industrialization meant economic transformation from a rural-agricultural to an industrial-commercial economy (Ivancevich, *et al*., 2008:9). Fundamental changes in architecture, transportation and manufacturing meant that sosio-economical and cultural conditions changed as well. Examples of industrialization include the replacement of manual labour by machines - which had its inception in the textile industry, the development of iron-making techniques and the increased usage of refined coal (Bureaucracy, Online, 2008). Subsequent trade expansion occurred as roads, railroads and canals were constructed, giving industrialization a greater foothold. These advancements meant that there was a dramatic increase in production capacity. The effects of industrialization rapidly spread throughout Western Europe and North America (Bureaucracy, Online, 2008).

At the turn of the 1900 it became evident that large numbers of people and complex activities had to be organized. This prompted the German sociologist Max Weber to investigate new forms of organisation (Bureaucracy, Online, 2008). Germany was the early leader in the development of the civil service and Weber studied government organisations in Europe intensively. This led to the construction of the key principles of bureaucracies (Boggs, 2004; Cameron & Quinn, 2006:38, Bureaucracies, Online, 2008). After thousands of years of trial and error at last a method was proposed whereby organisations could accomplish their goals (Bureaucracies, Online, 2008). This revolutionary method became enormously successful and outperformed all other businesses, even adhocracies.

The key principles of a bureaucracy, as introduced by Weber, included the following:

- The specification of jobs with detailed rights, obligations, responsibilities and scope of authority.

- A system of supervisions and subordination.

- Unity of command.

- Extensive use of written documents.

- Training in job requirements and skills.

- The application of consistent and complete rules.

- The assignment of work and the appointment of personnel based on competence and experience (Bureaucracy, Online, 2008, Deshpandé & Farley, 2003:5).

Bureaucracies offered, at the time, a highly effective system of organizing and were widely adopted. The classical attributes were regarded as ideal, because the environment was stable and tasks and functions could be integrated and coordinated while uniform products and services were maintained. This structure was mostly adopted by major conglomerates like the Ford Motor Company, as well as most government agencies (Cameron & Quinn, 2006:38).

Bureaucratic corporations were regarded as well-oiled machines, where individual initiative, goals and desires have little place. The job of management was to control employees' behaviour and what the managers say was the law (Covey, 2006:24). This had the potential of creating resentment on the part of employees, as they felt they were treated like children (James, 1996:64). Management also often use fear as a method of motivating people. In such an environment work could became loathsome, no risky decisions would be taken and no innovative ideas were allowed. In such a stifling environment change is viewed as difficult and painful and this is often the reason why companies do not change at all, leading to their subsequent obsolescence (James, 1996:64). These were the drawbacks of bureaucracies and unfortunately its remnants could still be observed in many so called 'contemporary organisations', today.

In this sense the Competing Values Framework Cameron & Quinn (2006) refers to bureaucracies as possessing a Hierarchical Culture. The Hierarchical Culture regards control and internal focus as prominent. Information management and communication serve as mechanisms for achieving stability, control and order (Øgaard & Marnburg, 2005:23).

2.2.2 Market Culture

During the late 1960s another form of organising became popular mainly because organisations were faced with new challenges. It is based on the work of Oliver Williamson, Bill Ouchi and their colleagues (Boggs, 2004; Cameron & Quinn, 2006:39). This orientation promotes a focus on the external environment rather than the internal environment, and interaction with outside constituencies such as suppliers, customers, contractors, unions and so forth is emphasised. The major focus falls on conducting economic transactions. The core values characterising this type of culture are competitiveness and productivity, which should be achieved through strong external positioning. Planning and goal setting are essential for productivity and efficiency (Deshpandé & Farley, 2003:5; Øgaard & Marnburg, 2005:23). The Market Culture offered more flexibility, but as depicted in figure 1 still focuses on stability and control in organisational context.

2.2.3 Clan Culture

The group or clan culture represents the family-type business and was developed following a study of Japanese firms in the 1960s and 1970s.

This contrasted with the hierarchical and market cultures of American companies (Ouchi, 1981). In this culture type, flexible values and internal focus are prominent (Deshpandé & Farley, 2003:5). Shared values and goals, cohesion, participativeness and individuality underlie this orientation, and organisations with such a dominant culture are more like extended families than economic entities (Boggs, 2004; Cameron & Quinn, 2006:41). This culture emphasises the flexibility of human differences and provides an internal view of the organisation. It furthermore stresses cohesion and morale amongst members, which includes aspects such as teamwork and employee development (Øgaard & Marnburg, 2005:23). The Group Culture is more attuned to flexibility and discretion and takes the human factor in consideration.

2.2.4   Adhocracy Culture

As the developed world shifted from an Industrial Age to a Knowledge Age, it became necessary for organisations to be sensitive and adaptive to an ever-changing business environment (Boggs, 2004; Cameron & Quinn, 2006:43). Taking the impact of globalisation into account organisations need to adopt innovative and pioneering activities to stay ahead of competitors (Kinicki & Williams, 2006:102). In this regard the Adhocracy Culture provides a flexible and responsive environment where the focus is on providing customer service.

In a shifting world of work changes from an Industrial Age to the Knowledge Age took on the following characteristics: Work performed in factories was replaced by work performed in offices or at computer terminals. As indicated before, concepts and ideas replaced working with 'things' (Chiavenato, 2001; Covey, 2006:24; Tillmans, 2008:136). Rigid organisational structures, like chain of command were replaced by flexibility and autonomy. Individualization was replaced by teamwork. There was also a shift from specialization to multitasking, where the traditional division of labour made room for varied and integrated work (Chiavenato, 2001). The authoritarian, people-controlling leadership style is supplanted by a democratic people-oriented approach (Chiavenato, 2001). A further crucial change lies in the emphasis on money or capital as being the most important organisational resource, in the Industrial Age to knowledge being the fundamental input for business success in the Knowledge Age (Déniz-Déniz & Zàrraga-Oberty, 2004: 372).

The notion that work is carried out for a single company is replaced by work carried out for many companies, where individuals work any time, place and on a temporary basis. Where a bureaucracy operated well in a stable environment an adhocracy flourishes in an unpredictable changing environment. As the emphasis is on non permanence the term *'ad hoc'* was chosen for this cultural type. The term implies temporariness and emphasises the fact that reconfiguration is often necessary when new situations arise (Deshpandé & Farley, 2003:5).

Flexibility, adaptability and creativity are thus needed in an environment where uncertainty, ambiguity and information overload are rampant. This type of culture thus emphasises readiness for change as a means of growth, resource acquisition and external support (Øgaard & Marnburg, 2005:23; Pellissier, 2002:37). This type of cultural orientation is often found in aerospace, software development, and filmmaking.

To summarize, the change from an Industrial Age economy to a Knowledge Age economy irrevocably changed organisations and the way in which work is performed. This has certain implications for organisations. Management is possibly the most notable of these. The shift from an industrial to a knowledge economy implies that management, as the leaders of the organisation, must take the crucial steps in transforming their management style to accommodate the requirements of contemporary management. If management, as the change agents, do not initiate change the organisation is not likely to change. Before any change can take place, management need to be mindful of why cultural change is important.

A crucial inception point for change is to realize that the culture of the organisation underlies the values of the organisation. If the values are clearly articulated a strong organisational culture is likely to develop. If an organisation possesses a strong organisational culture, employees are provided with a clear direction and goals. This aids employees in viewing themselves as part of the success of the organisation (Mackenzie, 2007: 11). This notion is confirmed by Geoffrey James (1996:62) who conducted research into the operations of various high-tech organisations, including business leaders like amongst others Bill Gates and Bob Frankenberg (James, 1996). He found that that these highly successful business leaders embraced the elements of a strong organisational culture. This is in contrast to the tactics employed by leaders in the Industrial Age, where managers rigidly enforced a command and control ethos (James, 1996:63). It is thus clear from this discussion that management should be sensitized to the meaning and importance of organisational culture. Management, as the architects of organisational success, should be open to embrace the principles of the Knowledge Age.

3.   CONCLUSION

The Industrial Age saw the conceptualization of bureaucracies. Within the confinements of the economical situation bureaucracies suited the needs of organisations. The environment was stable and the world of work predictable and consistent. With the inception of the Knowledge Age, with all the trappings of technological advancement, the world became a smaller place and the world of work changed irretrievably. Within an ever-changing, volatile environment the term 'bureaucracy' has become a dirty word. In today's technological, service-oriented market place bureaucracies are synonymous with red tape and inefficiencies.

It is thus surprising that many organisations still cling to its ideologies and make use of the structures that flowed from its principles.

Needless to say, this calls for organisational change and organisational change lies with management. If management clings to the rigid ideologies of the Industrial Age, they are not likely to employ flexible and adaptive ways in dealing with customers and employees. When reflecting on the above analysis, and using the Competing Values Framework (CVF) as conceptual guide, it is clear that an Adhocracy Culture is the most suitable organisational culture for companies in the Knowledge Age. It is conducive in the sense that it considers the needs of both internal (employees) and external (customers, suppliers) stakeholders. This implies internally that employees feel they are part of the success of the organisation, meaning that it is mush easier to establish a culture of quality within the organisation and externally, that the needs of customers and other stakeholders are met in an efficient and effective manner. Without considering both the internal and external constituents it is impossible for organisations to establish a sustained competitive advantage.

The Adhocracy Culture aids the organisation is aligning the internal and external components in a coordinated effort. This is however not possible if management clings to a command and control ethos. It is thus justified to say that a people-oriented culture, as embodied by the Adhocracy Culture, has the potential of aiding organisations in transforming their managerial approaches and restructuring their organisations to incorporate the requirements of management in the Knowledge Age.

4.   REFERENCES

Altman, Y. & Baruch, Y. 1998. Cultural theory and organizations: Analytical methods and cases. *Organizational Studies,* **19**(5): 769-785.

Boggs, W.B. 2004.TQM and organizational culture. *The Quality Management Journal*, **11**(2): 42.

Bureaucracy, 2008 [Online] Available from: http://www.analytitech.com (Accessed: 21 April 2008.)Cameron, K.S. & Quinn, R.E. 2006. *Diagnosing and changing organizational culture: Based on the competing values framework.* San Francisco: Jossey-Bass

Chiavenato, I. 2001. Advantages and challenges in human resources management in the new millennium. *Public Personnel Management*, **30**(1): 17.

Covey, S. 2006. Stephen Covey on managing yourself and others. *Financial Executive*, **22**(1): 22-25.

Déniz-Déniz, M. & Zàrraga-Oberty, C. 2004. *The assessment of the stakeholders' environment in the new age of knowledge: an empirical study of the influence of the organisational structure.* Business Ethics: A European Review, **13(**1): 372-388.

Deshpandé, R. & Farley, J.U. 2003. Organizational culture, market orientation, innovativeness, and firm performance: An international research odyssey. *International Journal of Research in Marketing,* **21**: 3-22.

Dreikorn, M & Zilbershtein, D. 2005. Waiting for the right Q: Cultivating a quality culture that could keep the maritime industry afloat. *ASQ World Conference on Quality and Improvement Proceedings*, **59:** 189-195.

Howard, L.W. 1998. Validating the competing values model as a representation of organizational cultures. *International Journal of Organizational Analysis,* **6**(3): 231-235.

Ivancevich, J.M., Konopaske, R. & Matteson, M.T. 2008. *Organisational Behavior and Management.* 8th Edition. New York: McGraw Hill Irwin.James, G. 1996. *Industrial age management becomes a museum piece*. Foster City, **8**(2):62.

Kinicki, A. & Williams, B.K. 2006. *Management: A practical approach*. 2nd Edition. New York: McGraw Hill.

Mackenzie, M.L. 2007. Leadership in the information age: A culture of continual change. *Bulletin of the American Society for Information Science and Technology,* **33**(4): 10-13.

Øgaard, T. & Marnburg, E. 2005. Organizational culture and performance: Evidence from the fast food restaurant industry. *Food Service Technology,* **5**: 23-34.

Ouchi, W.G. 1981. *Theory Z*. Reading, MA: Addison-Wesley

Ouchi, W.G. & Jaeger, A.M. 1978. Type Z organization: Stability in the midst of mobility. *Academy of Management Review,* pp. 305-314.

Pascale, R & Athos, A. 1981. *The art of Japanese management*. New York: Simon & Schuster.

Pellissier, R. 2002. Information Age overwhelms traditions. *Finance Week*, June 14: 37.

Peters, T.J. & Waterman, R.H. 1982. *In search of excellence: Lessons from America's best run companies.* New York: Harper & Row.

Quinn, R.E. 1988. *Beyond rational management: Mastering the paradoxes and competing demands of high performance.* San Francisco: Jossey-Bass.

Quinn, R.E. & Rohrbaugh, J. 1981. A competing values approach to organizational effectiveness. *Public Productivity Review,* **5**.Quinn, R.E. & Rohrbaugh, J. 1983. A spatial model of effectiveness criteria: Towards a competing values approach to organizational analysis. *Management Science,* **29**.

Rohrbaugh, J. 1981.Operationalizing the competing values approach. *Public Productivity Review,* **5**: 141-159.

Tillmans, M. 2008. The laws of Cool: Knowledge work and the culture of information. *Technical Communications Quarterly*, **17**(1): 136-138.