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ORGANIZATIONAL CULTURE: RELATIONSHIP TO UNCERTAINTY, SENSEMAKING AND ORGANIZATIONAL EFFECTIVENESS

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ABSTRACT

Organizational culture is examined as a response to environmental uncertainty and organizational effectiveness is examined in terms of that uncertainty. The dysfunctional effects of uncertainty on an organization are examined. Organizational culture is then developed as an approach by which management may proactively deal with these effects in a manner designed to bring about a higher level of organizational effectiveness. Several propositions are offered as descriptions of how this process can unfold and be managed.

I. INTRODUCTION

Until recently culture has been considered more of a fad than a subject worthy of serious consideration by organizational scholars. Hofstede (1998) notes that today culture is becoming an area of concern for researchers approaching the significance of strategy, structure, and control. Much of the recent research considers the relationship of culture to organizational commitment (Becker, 1992; Becker, Billings, Eveleth, and Gilbert, 1996; Clugston and Dorfman, 2000). The relationship of culture to environmental uncertainty and organizational effectiveness is less developed yet warrants our consideration.

Organizations attempt to "make sense" of their increasingly uncertain environment in an effort to operate more effectively, efficiently and with greater predictability. Organizational culture is frequently defined as being set of values and beliefs shared within the organization. (Sathe, 1983; Schreiber and Gutek, 1987). It is this aspect of being shared that gives an organization unity and purpose. Without a commonly held sense of "who we are" and "what we are about", many organizations would fall into a dysfunctional collection of fragmented sub-entities, each independently seeking to make sense of its world. An established corporate culture upon which there is consensual acceptance, especially when facing environmental uncertainty, can be effective in maintaining organizational commitment and effectiveness (Chew and

Putti, 1995). Culture, once in place and accepted, can provide the ground rules, territory and expectations even to the extent that the organization's culture can become a sort of third party to which disputes can be referred (Thibault and Kelly, 1959). This can replace much of the dysfunctional political maneuvering that can result when organizations face environmental uncertainty.

This paper will look at many of the threats to organizational effectiveness resulting from environmental uncertainty. It will consider the impact of culture on individuals and organizations, and then suggest how organizational culture might be used to mitigate the threats resulting from environmental uncertainty and help an organization achieve a higher level of effectiveness.

II. ORGANIZATIONS, UNCERTAINTY, AND CULTURE

The definition of environmental uncertainty has been evolving since uncertainty was first recognized as a force in organizational life. Throughout the 1950's and 1960's, uncertainty was considered to be the result of objective, external forces. It was thought that external changes and the lack of predictability in those changes emanated from a real and objective external environment. The focus was placed on how best to change the organization to provide a proper fit with the new realities. (Chandler, 1962; Cyert and March, 1963).

The next period moved from an external and objective basis for uncertainty to a mixture of internal and external conditions. In addition to the real and objective forces that an organization had to face, it now had also to face the inclusion of forces derived from within the organization. Managers were now assumed to have control over the manner with which they chose to respond to uncertainty (Child, 1972; Perrow, 1979; Thompson, 1967).

Current thinking on what constitutes uncertainty is grounded on subjective, and largely internal, processes of perception. Uncertainty is now seen as a perception based on rates of change and lack of power, rather than some objective reality to which the proper and specific response need only be formed. Researchers have noted that when there is dysfunctional stress due to uncertainty, it will result from the subjective perceptions of the situation, not from the objective conditions themselves (Lazarus, 1966; Appley and Trumbell, 1967; McGrath, 1970).

Today the manager is concerned with how best to manage these perceptions so as to reduce organizational uncertainty and how to adapt internal structures to absorb or reduce the impact of uncertainty (Christensen and Gordon, 1999).

Consensus as to the goals of the organization and the behaviors necessary for the organization's success are frequently found to be difficult to achieve during periods of rapid change and uncertainty (Daft, 1986). Without such consensus, it becomes difficult to get beyond a conflict stage and focus an organization on unified problem solving. The ongoing need for environmental information and management of resource dependency may get pushed aside while the organization tries to re-establish its internal sense of balance.

These problem-solving efforts can become highly political in nature when coalitions and factions appear as power bases developed to gather support and to protect the proponents of the various sides on the issues at stake. Bass (1983) noted that when face with threats and uncertainty, individuals will tend to withdraw from information gathering and analysis and instead, seek to bolster each other's rationalizations. Thompson (1967) stated that when uncertainty appears to be greater than the ability to predict, judgment will be suspended and other less desirable techniques will take its place, such as groupthink and a variety of "garbage can" decision models. Organizations that operate under conditions of high uncertainty will often be focusing much of their energy on "stamping out fires". This short-term perspective often eliminates the rational consideration of long-term opportunities and threats facing the organization (Bass, 1983; Weick, 1984). The inability to face the future can compound the problems already besetting these organizations.

As we have seen, high levels of uncertainty within an organization's environment can promote a multitude of difficulties that can greatly reduce the ability of the organization to function in an effective manner. Whether one takes the traditional point of view regarding uncertainty as being real and objective, or favors the current view of uncertainty as being a perceived condition, there is agreement that today's business environment is increasing uncertain. It is vital that organizations which face environmental uncertainty deal proactively with that issue if they are to maximize their effectiveness and performance.

An important proactive response to environmental uncertainty can be an organization's culture. Hofstede (1980) noted that societies that have powerful uncertainty avoidance needs also have deeply ingrained and formalized culture. Culture helps determine the relationships and interactions of individuals, groups, and organizations, as well as facilitating organizational sense making.

The trend noted by Cabrera and Bonache (1999), that has developed for organizations to establish an organizational culture could be a response to environmental uncertainty as perceived by each organization. This established culture could be providing a stabilizing point of reference for the organization much as was found by Hofstede in societies noted for uncertainty avoidance.

III. PROPOSITIONS

Levi and Tetlock (1980) in their study of the impact of uncertainty and stress on decision making came to three conclusions: high levels of uncertainty produce high levels of stress; the higher the stress level, the simpler the cognitive maps employed to make sense of the world; and that much information could be deleted that might be vital to sound decision making as a result of the interaction of uncertainty and stress.

Established organizational cultures give the environment a greater perceived orderliness. This orderliness then reduces the felt level of uncertainty (Moore, 1963). Lowered perceived levels of uncertainty will allow more complex cognitive processes to function, rather than having a simplification of the information gathering process (Scott, 1987). Under lower levels of perceived uncertainty the organization is more likely to expand its acquisition of information as it tries to make sense of its environment. This leads us to our first proposition:

1. PROPOSITION 1

Organizational culture can reduce the felt stress levels of its members by reducing perceived uncertainty. This will facilitate the development and use of more complex cognitive processes by the organization.

Where uncertainty can cause the organization and its members to lose sight of its purpose and goals, organizational culture can create a focus on the organization's reason for being (Meyer and Allen, 1991). Myths, stories, ceremonies, and rituals can all be used to clarify and establish the organizational culture as well as an organization's goals. Once established, this culture provides the values, principles and standards which then can guide the organization's strategic plans, human resource functions and structure (Cabrera and Bonache, 1999). Order can be brought to chaos. A strong sense of organizational self will help provide direction and commitment to the members of that organization (Clugston and Dorfman, 2000). This foundation then provides a platform for which to interpret and interact with the environment.

Albert and Silverman (1984) suggest that a strong organizational culture will result in the following five benefits: (1) a greater level of commitment, (2) lower turnover, (3) faster implementation of plans and strategies, (4) more effective problem solving at all levels throughout the organization, and (5) a focus on meaningful objectives, rather than a focus on fighting fires, plugging holes, and establishing anew how things are to be done. All the above are benefits that well serve the organization facing rapid environmental uncertainty. This leads us to our second proposition:

2. PROPOSITION 2

Organizational culture can help create a united focus on organizational goals and objectives.

The role of culture as an individual and organizational sense-maker closely parallels the functioning of scripts in the cognitive processes literature. People to facilitate dealing with a multitude of incoming information develop scripts that provide meaning to the data and even appropriate responses to it. Information that does not greatly deviate from the script gets absorbed by the script. This economic processing of information allows individuals to primarily focus on that part of the incoming data which significantly deviates from the existing scripts. This correlates to Albert and Silverman's (1984) idea of culture which, "puts out the fires" with a programmed response, and promotes the focusing on important problem solving. All incoming information varies to some extent from all other information; something about it is unique, even if only marginally so. If the individual or organization were to establish a new "sense" regarding each new piece of information, cognitive overload would soon crush the system. A system overloaded and crushed would certainly enhance an organization's sense of uncertainty and greatly reduce the effective functioning of that organization. To efficiently deal with the filtering and making sense of new information is vital. To be able to place purposefully into being a culture that supports organizational sense making may well be a vital task of management when facing growing environmental uncertainty. This leads us to our third proposition:

3. PROPOSITION 3

Organizational culture can aid the "sense-making" efforts of the organization and its members.

Karl Weick (1984) discusses the nature of loosely coupled organizations. Organizations that lack heavy regulations and a unifying culture may be chaotic, unpredictable, and confused. However, with a strong culture in place these loosely coupled organizations can be highly creative and adaptable to a rapidly changing environment. Again the ability to focus on what is relevant is apparent in this perspective.

Organizations with open and creative cultural systems appear to be more capable of adapting existing paradigms to changing circumstances. They operate in a more dynamic present with numerous avenues of information, contacts, and transactions. These organizations thrive on the ability to quickly shift to meet new unfolding circumstances and challenges (Gutknecht 1985). Contrast this to organizations that resist change. This leads us to our forth proposition:

4. PROPOSITION 4

Organizational culture can enhance organizational creativity and adaptability by aiding the organization's ability to perceive, analyze, and respond to change in the environment.

Perrow (1970) listed three types of controls in an organization: (1) "first order controls," which are the direct actions of management used to control the behavior of subordinates; (2) "second order controls," which are the controls inherent in a shared set of values, norms, and beliefs. Scripts contained within the culture of the organization provide bounds and directives to the individual members, the violation of which is not easy if they are firmly established; and (3) "third order controls," which are the individual interpretations of each member based upon their social constructions.

First order controls may at times result in conflict between management and subordinates. An adversarial relationship is often the result when these types of controls are abused and misused. Third order controls are subtle to the point that little purposeful use may be readily made of them. Second order controls, or culture, however, may be used with purpose for the benefit of the organization and individual.

Tetlock (1985) indicated that people are seekers of approval and status. This seeking is, in fact, one of the most motivating of social behaviors. People who become members of an organization with strong cultures will seek their approval and status from within the context of that culture (Cabrera and Bonache, 1999). This leads us to our fifth proposition:

5. PROPOSITION 5

Organizational culture can be used as an effective method of influencing the perceptions and behaviors of the organization's members.

It has been stated that organizations with strong cultures are more likely to be effective, and that these cultures can be purposefully maintained and directed by management (Deal and Kennedy, 1982; Ouchi, 1981; Christensen and Gordon, 1999). This connection between effectiveness and culture was made by Schein (1985) as relating to issues of external and internal survival and the positive relationship of organizational cultural and these issues. For organizations to effectively survive relative to their external environment Schein suggested that they must have five elements within them: (1) purpose; (2) goals and objectives; (3) a developed organizational structure and decision making processes; (4) means of monitoring its progress; and, (5) means of repairing breakdowns in these processes.

To survive their internal environment, Schein has suggested the need for organizations to have six key elements: (1) a common organizational language; (2) defined processes for establishing internal boundaries and methods for selecting organizational members; (3) systematic ways for allocating power, authority, and status to its members; (4) ways to establish norms that direct the handling of interpersonal relationships; (5) a reward and punishment dispensing system; and, (6) a way to cope with unpredictable and stressful events. That culture can encapsulate all or most of these issues has been noted by researchers (Becker & Geer, 1970; Martin & Siehl, 1983). While it would be an overstatement to say that culture is the answer to all organizational problems; it would not be an overstatement to say that an organization's culture can significantly contribute to its effectiveness by reducing many sources of felt dysfunctional uncertainty. This takes us to proposition six:

6. PROPOSITION 6

Organizational culture can enhance both the internal and external survival mechanisms of an organization.

A primary responsibility of management of is to provide strategic direction for the organization and to establish and maintain the set of values and beliefs the provide the foundation of the organization's culture.. Culture values within an organization may be strengthened by an interaction with anxiety and pain reduction, or by an interaction with reward and positive reinforcement (Schein, 1985). Culture, as it provides meaning and purpose, both reduces anxiety and provides positive reinforcement.

In place organizational culture requiring adaptation to new circumstances may also be modified under managerial influence in several ways: First, outside experts may be brought in to aid the process of cognitive redefinition (Schein, 1969). This can include such mechanisms as stories, symbols, and mythification (Louis, 1983; Smircich, 1983). Second, new management may be brought in to provide drastic shifts in the organization, resulting in significant cultural re-direction (Dyer, 1984). Third, culture may be changed through the incremental actions of its management (Quinn, 1978). This is achieved when all the decisions of management are consistently biased towards a new set of goals, objectives, and values (Schein, 1985). Rather than try massive changes, incremental changes over time provide the cultural re-direction within the organization. Finally, culture may be changed by coercive persuasion (Schein, 1985).

For instance, if an organization wide acceptance of a crisis can be established, organizational members responding to the crisis will usually be more willing to accept painful, major, readjustments in the underlying culture. These processes lead us to our final proposition:

7. PROPOSITION 7

Organizational culture can come under the purposeful influence and direction of management.

IV. SUMMARY

It is within recent years that organizational culture has regained its current ascendant position. This period of time has been marked by increasing levels of perceived uncertainty and turbulence in the business environment. In an effort to help make sense of a world so rapidly changing, many firms may be turning to the development and maintenance of an organizational culture. As stress and perceived levels of uncertainty are reduced by the direction and steadying foundation that can be had from a strong culture, organizations and their members will be better able to bring to bear more systematic, concentrated, and analytical focus on the organizational processes necessary to enhance effectiveness. In conclusion, while there appears to be theoretical support for culture as a significant force in organizational sense making, uncertainty response, and the accomplishment of goals and objectives, more empirical study of these propositions is warranted.

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