

The Review

INSIGHTS, IDEAS & INFORMATION

INSIDE THIS ISSUE

- ORGANISATIONAL CULTURE
- SERVICE RECOVERY
- BOOKS
- WEB SITES
- NEWS

White Maple is a strategy consulting firm. We aim to deliver results for clients that produce lasting improvements to performance through facilitating alignment between strategy, the market and brand, and the organisation's people, structure and processes.



We focus on working with service organisations. Principal sectors include:

- Commercial (business-to-business)
- Government
- Member organisations and charities
- Professional services

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Questions of culture

BY BOB EMPSON

People know that organisational culture is important. Sometimes they are proud of it. Sometimes they despair about it. And there is frequently a desire to strengthen or change it. This article offers answers to some of the questions that are often asked about organisational culture.

WHAT IS ORGANISATIONAL CULTURE?

One can find numerous definitions. One perspective suggests that culture is a way of feeling, thinking and acting which is comparable with the way in which computers are programmed: "mental programs" or "software of the mind ... which distinguishes the members of one organisation from another." Another defines culture as "community" which is a function of how people relate to each other in terms of solidarity and sociability. Another sees it as sets of assumptions that underlie values and determine behaviours and other "visible artefacts" such as dress and office layouts. A reasonable summary could be that culture refers to collections of shared values, assumptions and beliefs, and a common vision/purpose, which tend to produce certain behaviours and ways of doing things.

However, culture within an organisation is rarely homogenous. There might be aspects of culture that are more widespread and pervasive in an organisation, but there are usually sub-cultures. These sub-cultures may develop within functions or business units, or at levels of the hierarchy or in different locations.

WHERE DOES IT COME FROM?

In an organisation, culture derives from two primary sources. First are the patterns of values, beliefs and norms that people bring with them when they join an organisation (particularly influential will be founders and leaders). These will, in turn, depend on their life experiences and wider social and cultural backgrounds (eg national, ethnic, religious, family, professional and occupational). The second source is the experiences that people have within the organisation adapting to both dynamics in the external environment and also to internal pressures for organisation, co-operation and performance. Thus organisational culture derives from "prior assumptions" and "new learning experiences".

Charles Handy has, however, suggested seven factors that influence culture (and structure). One of these is also the people in the organisation. The other six are as follows. History and ownership: new organisations, for example, may tend to be more aggressive, adaptable and flexible; and founder-dominated businesses may tend to have a culture with centralised power. Size: large



organisations may have cultures which, for example, value more structured procedures and rules. Technology: there may be a tendency for more formalised processes as organisations become more automated and invest in technology. Goals and objectives: types of goals may influence the culture (and vice versa), for example, goals entailing significant and rapid growth may contribute to the development of cultures which have centralised power (or the opposite!). The environment (eg economic, market, social, competitive), for example: different nationalities may prefer different organisational cultures; a dynamic external environment may eventually stimulate organisational cultures which are more flexible; and a threatening external environment may be best handled by a culture with centralised power and authority.

WHAT IS A STRONG CULTURE?

The strength of a culture relates to the extent that values and beliefs are shared by people across the organisation and how clearly ordered they are (ie how people view their relative importance or ranking). Related to these aspects is how many important values and beliefs are shared; this has been called thickness – thick cultures have many, whilst thin ones have few.

"CULTURE AFFECTS PERFORMANCE..."

REFERENCES

Here are some useful references related to organisational culture.

Understanding Organizations

The "new and completely revised" edition of this famous text is now available. Easy to digest, it covers not only culture but also other issues such as leadership, motivation, power and working in groups. Includes case studies and practical advice.

Charles Handy.

Penguin, 2005.

Cultures and Organizations

A classic text with an in-depth discussion of culture at the national and organisational levels. For those who are very interested in the subject.

Geert Hofstede.

Profile Business, 1994.

Making Strategy Work

This book was reviewed in Issue 9 of The Review (see our web site). It has an excellent chapter on managing culture and culture change, with a clear model of the effects of culture and how to change it.

Lawrence Hrebiniak.

Wharton School Publishing, 2005.

Analysing Organisations

Slightly academic in style but, nonetheless, an excellent review of organisational theory and practice, including a chapter on culture.

Sandra Dawson.

Macmillan Business, 1996.

Strategies for Cultural Change

In addition to offering some frameworks for thinking about culture, this book describes various generic approaches to changing culture and reflects on leading cultural change.

Paul Bate.

Butterworth-Heinemann, 1995

Organizational Culture and Leadership

Another classic, now in its third edition, from one of the leading thinkers about culture and leadership. A comprehensive text.

Edgar H Schein.

John Wiley & Sons. 2004

IS CULTURE IMPORTANT?

Yes. Very. Culture affects performance because it elicits and reinforces certain behaviours that will either contribute to or detract from high performance. Culture can also affect the strategies that an organisation adopts because it can influence what is analysed, how information is interpreted and what choices are made. It can contribute to an organisation gaining lasting competitive advantage because, although competitors may try to copy features of service, they will find it very difficult to replicate the values and beliefs that underlie ongoing and consistent high performance.

Here are some examples of how culture can have negative implications for the performance, and even survival, of an organisation. In one family business there was a value, passed down through two generations, whereby "family" meant that most staff were largely left to their own devices – with no real measurement or management of their performance – and trusted to work hard in the best interests of the company; the result was nearly catastrophic because the firm was too slow to focus on staff performance when the market became more competitive and losses mounted. Another example was the struggling law firm in which the importance of close friendship and harmony amongst the partners had overridden an occasional necessity to voice alternative opinions and to disagree. And there was the government agency in which the ethos of having to account for every penny and not to waste public money inhibited consideration of spending on any innovations with which there was even the slightest risk of failure.

CAN YOU ANALYSE CULTURE?

Although you will certainly need to ask people about their organisation's culture, you can't just rely on what they say. The challenge is to also infer meaning from manifestations of underlying values and assumptions including: day-to-day behaviours; organisational rituals and ceremonies; how people feel about things (their emotions); what people say and write and the language used; and visible and physical "artefacts" (eg dress, offices, décor, logos). Another challenge is that the interpretation of the data is also dependent on the personal bias of the analyst.

My own experience has been that significant clues to an organisation's culture can be gained by exploring three issues: the behaviours of the organisation's most influential past and present leaders; how the organisation has responded to critical events and crises; and why certain people are considered to be culturally "deviant"! The broad methods that can be used to analyse and understand an organisation's culture include: observation of processes, behaviours and other visible "artefacts"; in-depth interviews; or surveys using questionnaires. All the techniques have limitations. The visible "artefacts" are not the culture but just manifestations of a set of values etc: they don't necessarily tell you what the underlying values/assumptions are. Interviewees might respond to questions in ways that they think the analyst will perceive as good or right; this issue also applies to questionnaires. Understanding an organisation's culture may require a number of techniques to be used. A shallow or quick analysis which is dependent on just one method is unlikely to produce accurate insights and understanding.

HOW DO YOU CHANGE CULTURE?

Changing culture is not easy. Organisations can be seen as "open systems" (in which everything affects everything else), thus actions may have unintended consequences which are difficult to predict and anticipate. People will have different interpretations of actions to change culture, and so will react in different ways including, often, resisting change. Culture is to some extent about power and there will be political reactions. The existence of sub-cultures also complicates things.

It is usually best to focus on changing behaviours; changes in attitudes and values can follow. Some of the levers that can be used to change culture include:

"IT IS USUALLY BEST TO FOCUS ON CHANGING BEHAVIOURS."

- Educating people about the need for change and involving them in working out the what and how of change.
- Bringing new people into the organisation who have the attitudes and skills consistent with the desired culture; senior leaders will be particularly influential. Likewise it might be necessary to reposition or even remove some existing people.
- Directly influencing behaviours by changing, for example, the organisation's structure, business processes, locations and office layouts.
- Developing or changing performance measures (this can influence significantly what people focus on and how they behave).
- Any activity or process that reinforces high performance (eg performance management systems, financial incentives, intangible rewards (eg praise), sanctions, training and leadership behaviours).
- Analysis of reasons for high performance and for underperformance, and encouraging learning from this knowledge.
- Developing and communicating the vision and purpose of the organisation, and involving people in this process.

(This article has drawn on a large number of references. Some of these can be found in the sidebar, but if you would like a full list please send the author an email.)

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Service recovery: profiting from failure

BY BOB EMPSON

It is inevitable that every organisation will occasionally let its customers down. These failures create opportunities to profit from increased customer loyalty and a strengthened reputation. Effective service recovery is the key.

Things will go wrong occasionally with any service. Sometimes your processes, technology or suppliers may let you down. Or one of your people may make a mistake or have an off-day. And, indeed, with customers becoming ever more involved in the service delivery process (eg using technology to access and pay for services), they themselves may do something that causes a lapse in service (eg they don't keep you informed of their up-to-date contact details). The costs of service failure can be immense. Apart from the immediate cost of putting right the fault, even more significant can be the future loss of revenues and profits arising from a loss of customers and the negative impact on your reputation.

So what is service recovery? One definition is "doing the service very right the second time." Effective service recovery is not just about putting things right quickly; it's also about showing your customers how much you care about them as individuals and how much you value their support and loyalty. In our competitive world, what can differentiate the best from the rest is the effectiveness of service recovery.

Service recovery creates opportunities. Loyalty can be strengthened because customers trust you more. Customers can develop a more personal relationship and empathy with your organisation. Positive perceptions about the quality of service are created, particularly in terms of responsiveness and reliability. Not only can you benefit from the repeat purchase of the individual customers affected, but delighted customers, who have experienced your exceptional service recovery, can produce a multiplier benefit as word-of-mouth spreads the good news about your brand.

So what can you do at your organisation to enable and deliver market beating service recovery?

START WITH YOUR PEOPLE

Ask yourself and them a few simple questions. Do they feel confident with being open about lapses in service and discussing why things went wrong? Do they understand the potential opportunities created by service recovery? Do they know what freedom they have to take responsibility to put things right immediately when things go wrong? Do they have the attitudes, skills and resources to react positively to customer needs in the event of failures?

PREVENTION IS BETTER THAN CURE

Whatever the power of service recovery, it must be better to prevent problems before they can impact significantly on customers. A significant proportion of people will not actually make a complaint about a service, even though they feel like complaining. So you will not always be learning about service failures. Some suggestions for preventing and identifying service problems include:

- Make it easy for customers to tell you how they feel about the service they have received. Don't just rely on mechanisms such as questionnaires, feedback forms, suggestion boxes and complaints systems. Ask them directly and, where appropriate, listen to or observe customers at the moment when they are receiving the service.
- Teach staff to watch for, and how respond to, subtle but tell-tale signs of customer dissatisfaction. These might include their tone of voice, facial expressions and other non-verbal communication. These will often go unnoticed or even ignored by staff.
- Tell customers early that something has gone wrong or may happen, ideally before they find out for themselves.
- Monitor and measure service performance. It is important that customers can give their feedback as soon as possible after the service has been provided (or ideally as it is being provided!).



EFFECTIVE SERVICE RECOVERY

When things do go wrong, effective service recovery will usually have many of the following attributes:

- **Acting quickly.** Ideally the problem should be resolved as soon as it occurs.
- **Apology.** Apologies are best given personally and verbally.
- **Explanation.** It is only fair that some explanation is given for the failure.
- **Information.** Keep them informed about what is happening, what you are doing and any choices that they have. Tell them when they will next be given an update.
- **Empathy.** Show the customer that the situation is being seen from their point of view. Perhaps it's a case of dealing with the person first before fixing the problem.
- **Compensation.** Money or some other in-kind may be sufficient compensation where the service is not critical to the customer or the failure was not that significant. Be careful not to offer only compensation when what is needed is correction/delivery of the service.
- **Correction.** If the service is critical to the customer and they have an urgent need for it, then finding ways to provide the service there and then will be important.
- **Atonement.** A gesture of some sort may be appropriate as a token of apology. This is different from compensation.
- **Follow-up.** Your commitment can be emphatically demonstrated by some form of follow-up after the crisis has been resolved.
- **Learning.** Learning to improve service performance can be gained from understanding what went wrong and implementing appropriate changes.

Service recovery is not only an issue for large commercial organisations. Costs of service failure and opportunities from service recovery also arise for professional service firms, government and not-for-profit organisations. The concept of effective service recovery is proactive, personal, fast and flexible, and it can create opportunities to profit from failure.

(This is an edited version of an article that appeared in Issue 1 of The Review in November 2002, which can be found on our web site.)

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Book Reviews

This issue's books are very different from each other. *Winners Never Cheat* is an appeal to rekindle "traditional moral values" written by American billionaire Jon Huntsman. Ghoshal's essays constitute an eclectic set of insights about business and management from an Indian academic. However, they do have some things in common: both authors argue that business should be a force for good, and all royalties of both books are being given to charity.

Winners Never Cheat

By Jon M Huntsman

Jon Huntsman is not very well known but is clearly very successful: he founded a chemicals business and ended up a billionaire. He is also a philanthropist; for example, he gave \$225 million to establish a cancer institute.

Perhaps this book was prompted by his pessimism that "a new void of values has produced a level of deception, betrayal and indecency so brazen as to be breathtaking." And he believes that "decency is lacking in today's highly competitive business world, political arenas and sporting events."

He discusses general values quite extensively and argues that "nice guys really can and do finish first in life" (if only this were true?). More focused sections include a chapter on leadership; to him effective leadership is about, for example, taking risks, humility, confidence, empathy, courage and commitment. He also dedicates a chapter to keeping your word; "one's word is one's bond has been replaced with one's word being subject to legal review"; when it comes to doing deals he suggests "lock the lawyers in the attic until you truly need them" (it's OK: he hasn't got much better to say about consultants!).

A major theme is, unsurprisingly, philanthropy: it's his "favourite topic." I can do no better than give you a quote: "...one gauge of success is how much one acquires. The more meaningful measurement is how much one gives away."

With interesting anecdotes and a direct style, this is an easy and stimulating read. However, some people might feel it to be soap-box moralising and preaching. Anyway, perhaps all that talk about giving makes it an appropriate Christmas stocking filler?

OVERALL RATING 

Wharton School Publishing, 2005. £10.49 (Amazon)

Sumantra Ghoshal on Management

Eds. Julian Birkinshaw & Gita Piramal

Ghoshal was a professor at London Business School before dying suddenly last year. Subtitled "A Force for Good" this is a collection of some of Ghoshal's most influential collaborative work.

The essays range from brilliant challenge of prevalent management thinking to practical ideas. The authors argue that many academic theories deny "any moral or ethical considerations in the practice of management." They cite Porter's 5-forces as an example; they claim the theory's foundation is that strategy is about value appropriation rather than value creation and thus "the interests of the company are incompatible with those of society." They lead us to a new philosophy focusing on "purpose, processes and people" rather the doctrine of "strategy, structure and systems" derived from current theories.

The more practical stuff is in the part about "The New Management Agenda." One essay is about how firms get stuck into ruts of "satisfactory underperformance", losing the belief that radical performance improvement is possible and instead following the "religion" of incrementalism; the importance is stressed of developing a sense of the company's destiny (vision?) for rekindling energy and belief in the scope for radical change. Other excellent essays include one about how to achieve horizontal integration in organisations, and another about why so many managers are busy without exhibiting "purposeful action-taking".

Just pick the essays most relevant and interesting to you. In summary: intellectual and thought-provoking but grounded in the real world.

OVERALL RATING 

FT Prentice Hall, 2005. £18.75 (Amazon)

WHITE MAPLE NEWS

RECENT WORK

Some examples of work with clients over the last 12 months include:

- Helping a large professional institution to develop its strategy.
- Undertaking a member survey for a leading trade association.
- Designing and facilitating a strategy development workshop for a new agency in the health sector.
- Advising a public sector organisation on the development of performance management information.
- Commercial due diligence relating to a variety of corporate deals.
- Strategy development for a firm of solicitors.
- Facilitating discussions between three professional organisations with a view to closer co-operation.
- Advising a private business on effective management reporting.

FAST

Bob Empson, Principal Consultant, has been appointed as a Trustee of the Foundation for Assistive Technology (FAST), a charity dedicated to ensuring that disabled and older people have access to innovative, well-designed and useful assistive technologies.

FACILITATOR

In July we produced a brochure about our specialist facilitator services. Please contact us for a printed copy or find a pdf version on our web site homepage www.whitemaple.net.



WEB SITES

Everybody occasionally needs information and advice about health matters. These web sites should cover most eventualities.

NHSDirect

www.nhsdirect.nhs.uk

A well-designed site with many useful resources including a self-help guide and a health encyclopaedia. HealthSpace is a secure area where you can store all your personal health information. The interactive tools include a Body Mass Index calculator, a safe drinking calculator and an exercise to calories counter.

OVERALL RATING 

BBC

www.bbc.co.uk/health

A very extensive range of practical advice and information. Message board for discussing health conditions. Life expectancy calculator (your reviewer managed to get his up to 97.4 years!). Some good interactive first aid courses. You can also download the BBC Health Deskerercise™ screensaver!

OVERALL RATING 

Healthsites

www.healthsites.co.uk

An excellent portal for patients and medical professionals. Easy to navigate. Also covers complementary medicine. Founded by an NHS GP, all sites are reviewed before being linked to Healthsites.

OVERALL RATING 

BestTreatments

www.besttreatments.co.uk

This site is provided by the British Medical Journal. Easy to understand information about causes, symptoms and treatment options. There are suggested questions to ask your doctor about each condition.

OVERALL RATING 

British Complementary Medicine Association

www.bcma.co.uk

Includes descriptions of many therapies. Provides contact details of therapists, but not for all therapies. Unfortunately the site doesn't always seem to work properly (you might need to download Java).

OVERALL RATING 