Organizational Culture

The literature is full of definitions and descriptions of organizational culture. Culture can be defined as a set of beliefs about the world and how it works; values about right and wrong; beliefs about what are, or should be, the consequences of these values; and norms about expected behavior. Behavior is observable while the assumptions about culture are inferred.

In an organization, culture is a collection of beliefs and expectations shared by organization members. These beliefs and expectations produce norms that shape the behavior of individuals in the organization. Organizations can have a dominant culture and a host of subcultures. A dominant culture expresses values shared by the majority of the organization’s members.

Cost Containment

Cost Containment is the act or set of acts managements purposely introduce to lower operating costs or at a minimum maintaining costs at current levels. In today’s climate, managers face the reality that the days of doing more with more are drifting off the radar screen. Today managers are being challenged to do less with less and even to do more with less.

Organizations will never achieve satisfactory levels of cost-containment by revising operating procedures (many organizations try that). To accomplish cost cutting that last over the long run managers must go through the complex process of carefully examining the behavior and culture of the organization and its members. Talking about cost-containment, rearranging boxes on the organizational chart, and / or implementation of new procedures does not cost-containment make? Although these actions may help, they only treat symptoms and not the disease. Lasting cost-containment occurs when management’s attention delves deeper into the heart and soul of the organization.

Leadership is the Key

The behavior of organization members is shaped by a strong, well-entrenched culture. Dealing with that requires strong leadership. Providing the leadership necessary to change the behavior of an organization is a major challenge. Change can only occur if management understands the culture of the organization and is capable of providing effective and strong leadership to motivate organization members to change.

For example, one dominant belief among employees is that overtime is an entitlement. In an environment employees contend that overtime pay should only be limited by their physical ability to work additional hours. In many organizations, this belief is so entrenched that employees arrange their personal budgets around the extra income associated with overtime.

Some employees engage in slick overtime behavioral practices. The game is for the employee who has worked overtime for during a week to call in sick on his / her normal shift. In turn, they make it possible for a friend to earn overtime for the shift they vacate when they call in sick.

Sick leave usage is a major vehicle through which allocation of the overtime resource occurs. In effect, employee behavior is regulated by the informal culture and acts as a substitute for the rules and regulations of the formal organization. Regardless of regulations, employees see nothing wrong with inappropriately using sick leave.
Overtime costs can increase quickly and to alarming levels. During these times, it is possible that annual training is in progress and replacement employees for those in training are available in only small numbers. Management may be at a loss to explain the situation. They believe that they considered and addressed all operational issues when planning the annual training. However, the real problems they may face are not apparent. Let us assume that the training is being delivered in April and April is the start of fishing season. Further, many employees are serious anglers and make planes well in advance of April to plan their schedules to go fishing frequently during the season and not always on their regular days off. If they cannot get a day off when requested, it is easy to resort to using sick leave and call in sick. The fact that annual training is in progress makes it difficult for supervisors to schedule days off when requested. Therefore, sick leave usage can increase, making the deployment situation worse. The result is increased overtime costs. Fishing season, annual training and the culture of the organization can combine to wreck any attempts to control overtime costs.

Management must stay alert to the contextual cultural aspects of leadership. A well-informed manager will soon realize the impact culture has on the environment and will exert the leadership needed to address the fishing example. Obviously, management could not take immediate action to change the culture so that work is valued more than fishing. However, management could change the schedule for annual training. In the future, for example, annual training might be delivered in January and February (non-fishing months). The result would be less overtime usage.

In addition to changing the training schedule, management could develop and implement new procedures to challenge inappropriate sick leave use. For example, a doctor’s excuse could be required when an employee’s sick leave event is questionable. The down side could be that this action can meet strong opposition from a union. What could happen, for example, is that a group of employees could organize and participate in an organized series of employee calling in sick. Their objective would be to get managements attention by demonstrating that attempts by management to control absences through aggressively managing sick leave usage will only result in other problems. In the example, the real issue is not the sick leave request, but rather that management’s action to limit overtime represents a move to change a basic aspect of organizational culture.

Management initiatives to make cultural changes will often meet with resistance. It takes a long time for a culture to form and once established it becomes entrenched. Cultural changes must be measured in years not weeks or months. Significant and meaningful change takes a long time. Therefore, the culture of an organization should be treated as an important influence on employee behavior and something over which management has little short-term influence, while at the same time being responsible for introducing long-term strategic foundations for change.

It is very difficult to overcome cultural resistance while trying to contain costs. Effective leadership is essential to accomplish cost-containment. The key is skilled leadership. Leadership includes three different theories that together help explain what makes an effective leader.

1. Trait theories
2. Behavioral theories
3. Contingency theories

Leadership can be transactional, transformational or both. Transactional leadership is the most common involves the exchanging one thing for another. There is a clear transaction between the leader and those being led. An example is a performance appraisal system that rewards in proportion to performance. The transactional approach achieves performance, but does not produce outstanding performance.

Transformational leadership seeks potential motives in followers and seeks to satisfy higher needs such as self-actualization. The transforming leader gets others to transcend their self-interests by constantly focusing attention on the mission and goals of the larger organization. Transforming leaders motivate followers by raising their level of consciousness, getting them to transcend their self-interests, and raising their need level. The transforming leader is the type gets things done.
Effective leadership provides an organization its vision and has the ability to translate vision into reality. Effective leaders are results oriented and have a vision that transforms purpose into action. For the leader / manager to implement cost-containment strategies they must have a clear vision of what needs to be done and has the ability to translate vision into action and then reality. The translation of vision into reality requires transformational rather than transactional leadership. In other words, it is not sufficient for the leader / manager to trade rewards for performance. The leader/manager must convince members of the organization to sacrifice self-interests for the good of the organization as a whole based on clearly articulated values, norms, and assumptions. Ultimately, the goal is to more effectively integrate personal interests with organizational interests in a framework of mutual reinforcement.

**Summary**

Economic realities are forcing administrators to implement operational changes to cut or contain costs in their organizations. However, cost-containment is a difficult challenge in any organization. Often the changes required to control costs directly confront long standing organizational cultures. The magnitude of the problem is exemplified by our example of attempting to control one single issue: overtime costs.

Using the overtime example implementing cost-containment requires the leader / manager to function on two levels. On the first level, they must act on organizational elements that are on the surface and observable. This includes evaluating operations, implementing procedures, reducing staff, and reorganizing. This approach certainly will have an effect. However, the impact will not be long lasting. The problem is that most leader / managers stop their change efforts at this level.

To achieve effective change, the efforts must go beyond the obvious and move to a second, deeper level. At the second level, action is initiated to deal with the organizational cultures, which govern how the members of the organization behave. Cost-containment efforts will likely require change in the organization’s culture. These changes will meet resistance and significant change can only occur over an extended period of time that may be measured in years rather than months or weeks. Unfortunately, leader / managers are under pressure to achieve results in a short period, usually within a fiscal year. At the same time, the changes must be long lasting.

Both transactional and transformational types of leadership are necessary. The leader / manager who rely on a transactional leader-follower relationship can achieve immediate results, but the results will rapidly disappear. The leader/manager who relies on a transformational leader-follower relationship will achieve results, but the results will be difficult or impossible to obtain during a short time period such as within a budget cycle. The successful leader / manager will initially rely heavily on a transactional style while setting the foundations for implementing the more effective transformational style.

Motivating staff by raising their level of understanding of the far-reaching purpose of the efforts at cost control and a continuous effort to get the employees to transcend their self-interests by constantly focusing attention on the importance of cost-control to the overall mission and goals of the organization are essential elements of transactional leadership. This requires a continuous effort and open communications. Getting the message across at every level is an absolute key to getting results. In order for any cost-containment strategy to be successful there must be commitment from all members of the organization. Commitment to cost-containment cannot be limited to the leadership of the organization and it cannot be forced on members of an organization. Commitment not authority makes a plan work. People have to buy into it.