

## Communicating Corporate Culture, Change and Innovative Spirits

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### Learning Objectives

After reading this chapter, you will be able to understand

- ◆ Corporate culture
- ◆ Why change is important factor for survival & Growth
- ◆ Building an innovation friendly organization

*The real source of wealth and capital in this new era is not material things. it is the human mind, the human spirit, the human imagination, and our faith in the future.*

Steve Forbes

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In the transformation of the caterpillar into the butterfly, the caterpillar constructs a cocoon and then undergoes an astounding transformational process, where the old "caterpillar" molecules actually chemically transform into "butterfly" molecules. They have to stop being caterpillars before they can possibly become butterflies. But then they reassemble and become more than they were. They realize their inherent potential, something that all can do. Thus unrealised organizational and individual potential can be coached and supported by fostering open communication and a culture conducive to change and innovation. Improvement is about understanding and capturing ideas and possibilities, reformulating and restructuring those ideas into a usable form and then transforming them into actions and behaviours. Clearly, innovation is the key driver for wealth creation and economic competitiveness. Those who come up with innovative solutions can expect huge financial rewards and the satisfaction of realizing their vision. In a globalised economy, a city, region, or country wanting to succeed and prosper, must have such innovative and creative individuals to maintain a competitive edge.

### 17.1 What is Corporate Culture?

At its most basic, Corporate Culture is described as the personality of an organization, or simply as "how things are done around here." It guides how employees think, act, and feel. Corporate culture is a broad term used to define the unique personality or character of an organization, and includes such elements as core values and beliefs, corporate ethics, and

rules of behaviour norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization.

These cultural statements become effective when executives are able to communicate the values of their firm, which provide patterns for how employees should behave. Firms with strong cultures achieve higher results because employees maintain focus both on what to do and how to do it. Organizational values are beliefs and ideas about what kinds of goals members of an organization should pursue and ideas about the appropriate principles of behaviour organizational members should use to achieve these goals. From organizational values develop organizational norms, guidelines or expectations that prescribe appropriate kinds of behaviour by employees in particular towards one another.

Senior management may try to determine a Corporate Culture. They may wish to impose corporate values and standards of behaviour that specifically reflect the objectives of the organization. In addition, there will also be an internal culture within the workforce. Work-groups within the organization have their own behavioural quirks and interactions which, to an extent, affect the whole system.

**Strong / Weak Cultures:** A strong culture is said to exist where the staff's response to change and innovation is high because of their alignment to organizational values- people do things because they believe it is the right thing to do. Conversely, there is Weak Culture where there is little alignment with organizational values, and control must be exercised through extensive procedures and bureaucracy.

## 17.2 Elements of Culture

A number of elements that can be used to describe or influence Organizational Culture:

- **The Paradigm:** What the organization is about; what it does; its mission; its values.
- **Control Systems:** The processes in place to monitor what is going on.
- **Organizational Structures:** Reporting lines, hierarchies, and the way that work flows through the business.
- **Power Structures:** Who makes the decisions and how power is distributed across the organization.
- **Symbols:** These include the logos and designs, but would extend to symbols of power, such as car parking spaces and executive washrooms!
- **Rituals and Routines:** Management meetings, board reports and so on may become more habitual than necessary.
- **Stories and Myths:** build up about people and events, and convey a message about what is valued within the organization.

Communicating the corporate culture effectively is paramount. For example, at General Electric (GE), corporate values are so important to the company, that Jack Welch, the former legendary CEO of the

company, had them inscribed and distributed to all GE employees at every level of the company.

### 17.3 Change

Typically, the concept of organizational change is in regard to organization-wide change, as opposed to smaller changes such as adding a new person, modifying a program, etc. Examples of organization-wide change include a change in mission, restructuring operations, new technologies, mergers, major collaborations, new programs such as Total Quality Management, re-engineering, etc. - a fundamental and radical reorientation in the way the organization operates.

#### Why is organization-wide change difficult to accomplish?

Typically, there are strong resistances to change. People are afraid of the unknown. Many people think things are fine and don't understand the need for change. Many are inherently cynical about change. Many doubt there are effective means to accomplish major organizational change. Often, there are conflicting goals in the organization, e.g., to increase resources to accomplish the change yet concurrently cut costs to remain viable. Organization-wide change often goes against the very values held dear by members in the organization, that is, the change may go against how members believe things should be done.

### 17.4 Resistance to Change

No matter whether a change is of major proportions or is objectively rather small, the change manager must anticipate that people in the organization are going to find reasons to resist changes. It is a basic tenet of human behaviour that any belief or value that has been previously successful in meeting needs will resist change.

#### *Reasons Why People Resent or Resist Change*

1. One major reason why people resist change is the potential for loss on a personal level. Objectively, there may be little threat, but people may act as if there is one. Some of the things people feel are at risk during change processes are:

- Security
- Friends and contacts
- Money
- Freedom
- Pride and satisfaction
- Responsibility
- Authority
- Good working conditions
- Status

2. While a feeling of threat is a primary reason why people resist change, there are other

factors that can mobilize people into resisting any changes from a status quo. These include:

- Change not needed - status quo is working fine
- Proposed change does more harm than good
- Lack of respect for person responsible for the change
- Objectionable way of implementing the change
- Negative attitude towards the organization before the change
- no opportunity to have input into change
- change perceived as implying personal criticism
- Change simply adds more work and confusion.
- Change requires more effort than to keep status quo
- Bad timing of the change
- A desire to challenge authority
- Hearing about the change secondhand

3. The uncertainty principle: This states that when people are faced with ambiguous or uncertain situations, where they feel they do not know what to expect, they will resist moving into those situations. In other words, if people don't know what is to come resistive.

**Reasons for Acceptance of Change:** Resistance to change takes many forms. The more obvious forms consist of active resistance, where people will object, or refuse to cooperate with the change. Other, subtler forms of resistance, however, are more difficult to deal with. For example, at a staff meeting everyone agrees to utilize a new procedure, but several weeks later you discover that the procedure has not been implemented.

It is helpful to have an understanding of why people resist change, because understanding this allows us to plan communication strategies to reduce resistance from the beginning. While it is likely to encounter people who resist change for the previously stated reasons, one will also encounter people who accept or welcome change. By knowing why people might accept or welcome change one is in a better position to formulate a communication plan to foster acceptance.

1. **Personal Gain:** People will be more likely to accept change when they see the possibility that they will gain in some of the following areas:

- Increased Security
- Money
- More Authority
- Status/Prestige
- Better Working Conditions

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- Self-Satisfaction
- Better Personal Contacts
- Less Time And Effort

### 2. Other Factors:

- Provides A New Challenge
- Likes/Respects The Source
- Likes The Way Change Is Being Communicated
- Reduces Boredom
- Provides Opportunity For Input
- Improves Future
- Perception That The Change Is Necessary

## 17.5 Communication and Change

Successful change must involve top management, including the board and chief executive. Usually there is a champion who takes the initiative to change by being visionary, persuasive and consistent. A change agent's role is usually responsible to translate the vision to a realistic plan and carry out the plan. Change is usually best carried out as a team-wide effort. Communications about the change should be frequent and with all organization members. To sustain change, the structures of the organization itself should be modified, including strategic plans, policies and procedures. For *example*, the leader should meet with all managers and staff to explain reasons for the change, how it generally will be carried out and where one can go for additional information.

Communication is probably the most important skill that people need to have in order to be effective managers. It is probably the most taken for granted, and the area least addressed by developing managers. In situations of instability, or change, or ambiguity, communication becomes even more important.

Poor communication around change issues can:

1. Destroy commitment to an organization
2. Irrevocably damage employee morale
3. Generate huge resistance to change
4. Result in hostility.
5. Lead to performance problems

Communication can be simply described as '*Creating Understanding*'. In periods of change (as in "normal" times), the manager must not only pass information to employees, but also ensure

that it is understood correctly. After all, the manager stands to lose a great deal if information is not understood, as he or she is accountable for the results. Unfortunately, some managers believe that effective communication consists of sending memo, or telling people orally what is going on, or what will happen. Passing on of information is only one part of communication. So, communication must be two-way in manner, where the manager may be communicating to employees, but is also soliciting comments from employees about their level of understanding, and comfort around potential changes.

### **Who, What, When, How?**

There are four decisions that managers must make around communication in change situations:

1. TO WHOM
2. WHAT
3. WHEN
4. HOW

**To whom:** It is far better for the manager to err on the generous side of communication than on the skimpy. Some managers have a tendency to communicate change on what is termed a "need to know" basis. That is, people who must have the information, get it, but those that are not directly involved, do not (Actually they will eventually through informal channels). While this makes some sense, generally it does not work, resulting in feelings of being left out, not being valued, etc. The basic rule is that communication should take place directly between the manager and employees when employees NEED TO KNOW OR WANT TO KNOW. In other words, except for situations that involve confidential information, even those people who are indirectly affected would like to know what is going on, and how it may affect them. One must also remember that it is rare that any change in an organization will not have an effect, directly or indirectly, upon all members of the organization.

**What:** In changed situations, it is good to communicate as much information about the change as is available. While this sounds simple, sometimes judgment will have to be exercised regarding confidential information, and information, which is based on speculation or rumour. Clearly, there will be some information, which is not appropriate for release. Speculation and rumour about impending change have the potential for generating a great deal of anxiety. There may be situations where passing on speculative information may not be appropriate. However, if that information has already reached the grapevine, and employees will hear about it anyway, better to have it on the table and in context.

Finally, keep in mind that not only must you communicate facts/information but communicating some of your own feelings and fears about the change will generally make it "legal" for employees to do likewise. As a manager, it is better to have people's reactions and feelings to be able to help employees deal with resistance. Stating your own feelings honestly is a good starting point for opening up these lines of communication. In summary, communicate as much as you can, and communicate your own feelings and concerns. This will help you be

perceived as part of the team.

**When:** In general, communicate as early as possible about change, but do not assume that once you have done this that the job is over. Communication should occur in anticipation of change, during the implementation, and after to assess its value to employees. Do it early, do it often! One should keep in mind that, depending on the hierarchy or structure of the organization, one may need to think through the order in which things are communicated to people at different levels. Ordinarily, one's boss should be informed prior to major changes, but again that will depend on the climate of the organization.

**How:** Should one use oral or written communication? Below are some guidelines for making this decision.

**Oral face-to-face when:**

1. Receiver is not particularly interested in getting the message. Oral provides more opportunities for getting and keeping interest and attention.
2. It is important to get feedback. It is easier to get feedback by observing facial expressions and asking questions.
3. Emotions are high. Oral provides more opportunity for both sender and receiver to let off steam, cool down, and create a suitable climate for understanding.
4. Receiver is too busy or preoccupied to read, oral provides a better opportunity to get attention.
5. If criticism of receiver is involved, oral provides more opportunity to accomplish this without arousing resentment. Also, oral is less threatening because it has not been formalized in writing. Even though it might be marked personal and confidential.
6. Sender wants to persuade or convince. Oral provides more flexibility, opportunity for emphasis, chance to listen and opportunity to remove resistance, and change attitudes.
7. Oral is more natural. For *example*, in most cases it is more natural to give instructions orally rather than writing them out.
8. Discussion is needed. A complicated subject frequently requires discussion to be sure of understanding.
9. Receiver cannot read language of the sender. Some people can understand a spoken language but cannot read it.

**Use written communication when:**

1. Sender wants a record for future references.
2. Receiver will be referring to it later.
3. Message is complex and requires study by receiver.
4. Message includes a step-by-step procedure.

5. A copy of the message should go to another person.

Thus, the main role of the change manager is to work towards reducing the resistance towards change, and increasing the enthusiasm and level of commitment for the change.

### 17.6 Spurring the Innovative Spirits

**Innovation – the Key to Success and Survival:** Companies that continuously innovate will create and re-invent new markets, products, services, and business models – which lead to more growth. Leaders of successful, high-growth companies understand that innovation is what drives growth, and innovation is achieved by remarkable people with a shared passion for problem solving and for turning ideas into realities through perseverance and a positive attitude. Innovation is dependent on the organisation's ability to recognize market opportunities, internal capabilities to respond innovatively, and knowledge base. The successful business of the future will be one that provides unequalled customer service, delivers an exceptional product or service, and continuously makes innovative improvements. Success in the next decade will depend on managers and leaders capturing the innovative hearts and minds of their workers. This will only happen if businesses breathe, dream and allow innovation at all levels of the business. Preoccupation with gimmicks, short term thinking, bureaucratic rules and procedures will generate more "Going Out of Business" signs than anything else. Innovation comes from a workforce empowered by both their ideas and their ability to contribute to the enterprise. Creating this innovative environment is the greatest business challenge of today's fast paced competitive and borderless business world.

Innovation begins with the leader or business manager. In today's rapidly changing working world, the manager must be more like a coach, or a team leader than a boss, a collaborator instead of a manipulator.

### 17.7 Building Innovation Enabled Organization

There are specific elements that help a company to be more innovative. It is a blend of culture, methodologies, infrastructure, and work practices. A sustainable innovation organization should have:

- Vision and strategy for innovation
- Culture supporting innovation
- Processes, practices and systems supporting innovation
- Top management team leading innovation
- Effective Cross-functional teams
- Empowered employees driving innovation.
- Finding the Right Balance Between Bureaucracy and Chaos

Successful organizations must balance bureaucratic processes at one extreme with the fluid creative chaos of relationships, interests and transactions, which enable it to be innovative



and alive, at the other. There is a risk of another phenomenon, Groupthink. "Groupthink" is defined as a mode of thinking that people engage when they are deeply involved in a cohesive group, where members' strivings for unanimity override their motivation to realistically appraise alternative of action." This is a state where people, even if they have different ideas, do not challenge organizational thinking, and therefore there is a reduced capacity for innovative thoughts.

The key elements in the innovation framework are:

**Accessibility:** The major organizational challenge is to make everyone, particularly the workers, active participants in the work process. The innovative enterprise ensures everyone is accessible to each other at all levels within the organization. Accessibility to everyone facilitates a feeling of teamwork, trust and equality. This not only includes the workers, but the customers and suppliers as well. Most organizations are infected by both visible and subtle barriers and limitations based on rank, position and structure. Hierarchical chains of commands, rank and titles affect workers' access to each other. Those organizations make it clear, often unconsciously, that top management's role is to think and the lower ranking people at the bottom are to carry out the orders and dictums of those above them. Access by everyone to everyone fosters creativity, helps the flow of innovative ideas, and speeds up the decision making process.

Innovative organizations need individuals who are prepared to challenge the status quo – be it groupthink or bureaucracy, and also need procedures to implement new ideas effectively.

**Recognize and Reward Innovation:** One of the more radical steps an organization or manager can take is to make innovation a requirement of the job.

The formal evaluation system also plays an important role. Companies reward activities they value. Employees know this, and react accordingly. Financial rewards have proven successful, but there are other and often more meaningful rewards such as personal recognition. Innovators can be recognized in company newsletters, trade publications, and the local media. Stories about innovators not only provide recognition, but also show others in the organization what the company really values.

Rewarding individual innovators is not the only tactic that can be employed. After all, the objective is to spur on the spirit of innovation throughout the entire organization. Why not recognize an entire unit, department, or division that is particularly innovative? This might encourage the teamwork so necessary for successful innovation.

**Develop Company Programs That Encourage Innovation:** Some companies, such as IBM, allow their employees to take sabbaticals to work in a new environment or teach in a college. By placing employees in different environments, they can meet new people, come across new ideas, and, hopefully, generate their own novel approaches.

Other major companies have model programs that encourage innovation as well. 3M has a program that allows employees to spend up to 15% of their time working on their own innovative project with little or no direct managerial control.

Another program that has been successful involves keeping a written record or log of all suggestions and the actions taken on those ideas. The list is then circulated around the company. Timeliness is also important. Walter Scott of Motorola, Inc., said, "Any employee's recommendation for new methods or change should get a reply in 72 hours or less."

**Foster Informal Communication:** The paperwork involved in proposing or even pursuing a project can be a major roadblock to innovation. Employees often feel stifled when asked to fully justify ideas; they may be working on a hunch. In the first place, many of the questions cannot be answered fully until later in the innovation process. Second, many relevant questions cannot even be anticipated. Moreover, the message sent to employees by requiring extensive paperwork is that results must be guaranteed and failure is unacceptable.

Paperwork and administrative regulations are often initiated in organizations to provide some control of organizational events. Informal communication can fill the gap. Managers can keep up-to-date by informally communicating with employees about projects or new ideas. Often, this kind of "checking up" proves more informative than endless reams of paperwork.

Informal communication encourages discussion across departmental boundaries and formal lines of authority. More useful ideas seem to be spawned in such a free-flowing environment. Bill Gates, the innovative founder of Microsoft, credits the use of electronic mail as one of the keys in keeping his company on the creative frontier. If someone has a brainstorm, he or she can immediately flash the idea to others for their reactions. He says, "It sparks interest." Adding blackboards, sketchpads, and small conference rooms in the workplace has also proven helpful in encouraging more informal communication. Electronic mail, blackboards, and sketchpads have one common characteristic: mistakes can be quickly and easily corrected. Therefore, speculation, change, and creativity are encouraged. Deletions or additions can be readily made. This is the spirit of informal networks-quick feedback with little fear of change. There are few repercussions when changing an idea in an informal situation. Formal documents are less easily amended. And that is why it so important to set up an informal communication environment.

**Information:** The right kind of information is called *innoinformation*. This type of information is critical to the vitality of the enterprise. *Innoinformation* consists of the plans, vision, goals, and all the new ideas affecting the enterprise. The innovative enterprise is looking forward, continuously changing and adapting to the needs of the customer. By providing *Innoinformation* everyone in the enterprise can see new opportunities, not just the people at the top. Idea campaigns, teamwork, benchmarking and other programs keep the organization flexible and vital. One way to ensure people are ready to change is by communicating the ideas and suggestions made by the people within the organization. A constant flow of ideas and suggestions show people that there is a need for change. When people hear new ideas, they are more willing to change. Jack Jackson, a professional speaker from Ft. Worth, Texas said, "If you are going to innovate you must communicate or you won't motivate!"

**Framework:** The innovative enterprise must constantly adapt, create and innovate. Information and communication are the wind that sails the innovative enterprise toward its

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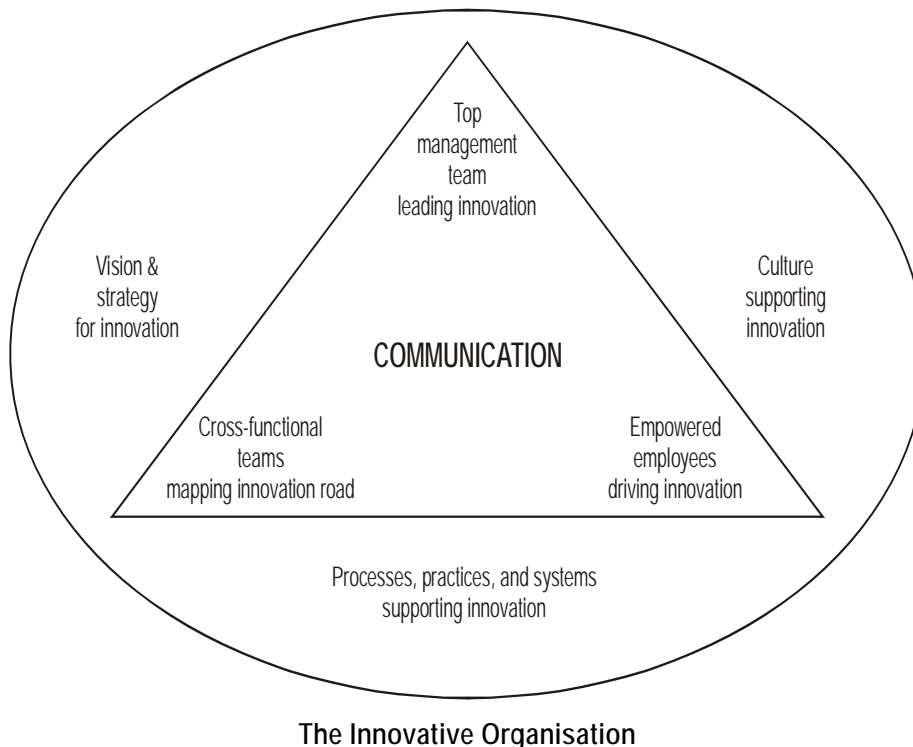
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destination. Information and communication pose difficult challenges for most businesses. The difficulty lies in balancing the flow of information between providing too much or too little information. Managers complain that they are overloaded while, front-line workers complain, "no one tells them what's going on! In the traditional organization, information represents power. The flow of information is important to keep the enterprise on course. Those businesses faced with a rigid hierarchy have a limited flow of information. They have a major difficulty staying current and flexible. They end up pushing instead of leading their organization to the next juncture. On the other hand, the innovative enterprise effectively uses information and communication to keep everyone informed, working together.

Businesses must concern themselves with providing the right information at the right time, in the most effective manner possible. Successful entrepreneurs have consistent policies and a written business plan that defines short- and long-term requirements for growth and provides a framework for decisions.

The plan needs to be developed with input from all levels of the organization and should be updated at least annually and more frequently if market conditions change. Inhibit or expand the company-wide search for radical ideas through brainstorming and by encouraging actively other idea generation tools.

Fostering meaningful dialogue encourages learning and creativity The rules and culture of the organization encourages the degree of innovation.



The best thing to do to guarantee growth is to build a sustainable innovation organization around the following components:

1. Vision and strategy for innovation
2. Culture supporting innovation
3. Processes, practices and systems supporting innovation
4. Top management team leading innovation
5. Cross-functional teams mapping innovation road
6. Empowered employees driving innovation.
7. Finding the Right Balance Between Bureaucracy and Chaos

#### **Finding the Right Balance Between Bureaucracy and Chaos**

Successful organizations must balance bureaucratic processes at one extreme with the fluid creative chaos of relationships, interests and transactions, which enable it to be innovative and alive, at the other.

- Eliminate politics, by giving everybody the same message.
- Keep a flat organization in which all issues are discussed openly.
- Insist on clear and direct communication.
- Prevent competing missions or objectives
- Eliminate rivalry between different parts of the organization
- Empower teams to do their own things

**Conclusion:** Stop signs regulate the flow of traffic; they tell people when and where to stop. With too few stop signs, the streets are unsafe. With too many, advancement slows. Either extreme is disastrous. Organizations also have stop and go signs. They may not have red, yellow, and green lights, but they are just as real and have just as much effect on the flow of organizational events. The corporate policies, rules, regulations, procedures, organizational structure, and the day-to-day interactions in meetings, conversations, and memoranda are all varieties of these organizational traffic signals. If there are too many stop signs, then innovative efforts come to a grinding halt. If there are too few, then there is chaos. The objective, then, is to design a system that (a) does not impede the flow of innovative ideas; (b) increases the probability of a safe and speedy passage for useful ideas; and (c) decreases the probability that the poor ideas proceed to the implementation stage. Only through careful and thoughtful planning can each of these goals be achieved.