



# **THE ROLE OF THE CULTURE IN THE IMPLEMENTATION OF THE STRATEGY**

**BACHELOR'S DEGREE IN BUSINESS ADMINISTRATION**

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## 0. Introduction

In a dynamic and globalized society, in which the changes are constantly produced in the business environment, both the companies and the entrepreneurs must be prepared to answer rapidly to the processes of change. Furthermore, it has to be an essential requirement in order to make the organizations are more and more competitive. Due to these changes that are taking place in the environment, the organizations have to break the traditional schemes of management suitable for stables ones, and to develop new ways of adapting to more turbulent environments, which not only demand an adjustment of managerial and organizational traditional systems of the companies, but also it needs to adopt another system of values and behaviours, that is to say, another organizational culture. At the same time, in the business current environment to be competitive is increasingly difficult, becoming a real challenge. Therefore, it is necessary to emphasize that one of the fundamental factors for the competitiveness in the current one is, undoubtedly, the efficiency in the implementation of the company's strategy, because a good business strategy guarantees its success. The capacity to implement the strategy can be more important than its quality. Thus, if the company wants to manage, to support or to increase a suitable level of competitiveness, it must use methodologies, processes and formal systems both of Strategic Planning and Strategic Execution. For any organization, it is not enough to make a good strategic planning from which the strategic objectives and actions to achieve them are determined, if the means for implementing the strategy are not adequately defined. It is one of the big challenges to which the companies, organizations and people have to face nowadays: the capacity of execution.

To develop the capacity of execution, it is very important to know different ways of understanding the strategy, since depending on how the strategy is understood the organization should use a different form of implementation. Moreover, since there are few authors who have studied the implementation of the strategy from a cultural perspective, our main aim of this work is to obtain the implementation of the strategy across the organizational culture. For it, we will study the effects that the culture has in the implementation of the strategy, the different barriers that exist to the implementation between that we will identify the culture when this one goes in opposition to the strategy. We will also study in depth the need of a fit between culture and strategy, and in case that the fit was not reached, we will facilitate the steps to follow in order to reach a cultural change and to obtain the organizational culture wished and the effective implementation too.

## 1. What does strategy mean?

### 1.1 The strategy concept

In the field of the business strategy, two principal schools of thought can be identified which define the strategy from different points of view: the *School of Planning* and the *Emergent School* (Paroutis, Heracleous and Angwin, 2013). The school of planning understands that the strategy is the result of sequential activities of strategic analysis, development and putting in practice (Chandler, 1962). While the emergent school considers the strategy as not only as a plan, but also a pattern that arises with the time based on the experimentation and the discussion.

From the School of Planning, Von Neumann y Morgenstern (1947), defined the managerial strategy as the series of acts that a company executes, which are selected in agreement by a concrete situation.

Peter Ducker (1954), in his book *The practice of Management*, affirmed that the strategy needs that the managers analyse their present situation and that they should change it if it was necessary. This definition begins with the assumption that the managers should know that resources had their company and which should have.

Alfred Chandler (1962) also defines the strategy from this school, and he considers the strategy as the element that establishes the basic goals of a company, in a long term, as well as the adoption of the courses of action and the assignment of the necessary resources to reach these goals.

Later, Kenneth Andrews (1969, p.15), gives a similar definition: "The strategy represents a pattern of aims, purposes or goals, as well as the policies and the main plans to reach these objectives, and they are represented in a way that they allow to define the activity to which one the company is dedicated, or it will be dedicated, and also what type of company it is or it will be". According to this definition, the strategist must design some objectives and plans which reveal the field of its activity, including the way in which this activity is focused.

Finally, and also from the school of planning, Igor Ansoff (1965) also offers a more analytical definition orientated towards the action. Ansoff considered that the strategy was a "conductive thread" between the activities of the company and the products/markets. Thus, the strategy turns in a rule to take decisions.

The definitions of strategy that have been formulated since then are only variations of the previous definitions. All them are considered contributions to the concept of strategy from the school of planning, and they have the following elements in common. Firstly, the concept of the *environment*; that is, there are some unconnected conditions to the company to which the company must answer. Secondly, there are the *goals or basic aims* that the company must establish. Thirdly, the management of the company must make an analysis of the situation, with purpose to determine its position in the environment and its quantity of resources. Finally, the company must determine how *to apply its resources*, to effect of reaching its goals and to get to adapt the best possible to its environment.

Henry Mintzberg (1990), representative of the Emergent School provides a very different approach from the concept of strategy. In his opinion, the objectives, the plans and the base of resources of the company at any given time are not more important than everything that the company has done and it is doing in every moment. Thus, he defines the word strategy as "the pattern of a series of actions that happen in the time" (Mintzberg, 1990, p.257). Mintzberg's approach emphasizes the action. According to this point of view, the company might have a strategy though it was not making any plans. In the same way, the company would have a strategy though formal aims are not established. The only thing that it requires is a pattern of a series of acts made by the organization. For Mintzberg, a pattern implies that the acts that the company made are congruent, and this congruence can be result of the formal planning and the definition of goals, or not. This is the main difference of the previous definitions of the School of Planning, where the strategy means the formal planning and the establishment of the goals. In summary, the existence of two very different schools of thought that have defined the strategy from different points of view implies that the word "strategy" can adopt several meanings.

## 1.2 Different ways to understand strategy

The existence of different schools of thought that understand the strategy from different perspectives has had as a consequence the coexistence of different approaches to the

concept of “strategy”. In this way, some authors have proposed different approaches; one of the most well-known is the developed by Henry Mintzberg (1987). In his seminal article “5 P’s of the Strategy”, Mintzberg synthesizes the different definitions of strategy and it postulates the existence of 5 different forms of understanding the strategy. We think that the knowledge of the different ways of understanding is very important in this work because the form in which a strategy is understood will affect in a significant way how the organization will implement it. Therefore, as it is shown in the *Figure 1*, there are 5 different ways of understanding the strategy as: Plan, Guideline, Pattern, Position and Perspective. Each one of these ways of understanding the strategy has implicit the adoption of some assumptions that affect the process of implementation of the strategy. Now, we will propose some reflections about the interrelationships that it represents.

*Figure 1: The different ways of understanding the strategy.*



*Source: Adapted from Mintzberg (1987).*

***The strategy as plan:*** From this perspective, the strategy is considered a guide or a course of action that allows us to confront a certain situation. We can extract two fundamental aspects of the strategy from this definition.

One of them is that the strategy is elaborated before that the actions in which it will be applied, and other one is that it develops in a responsible way and with a certain objective. Some authors like Glueck (1980, p.9) reinforce these characteristics: *“The strategy is a unified, understandable and integral plan designed to assure that the basic aims of the company should be reached”*.

***Strategy as guideline of action:*** A strategy can also be understood as a "manoeuvre" to gain the game to a competitor. In the field of the administration, this definition is acquiring more importance every time, because it makes reference to more dynamic and competitive aspects.

***Strategy as pattern:*** The strategies can also be elaborated. This definition makes reference to the behaviour that we wish to take place. For such reason, it is understood that the strategy is a model, specifically, a pattern in a flow of actions (Mintzberg and Waters closet, 1985). According to this definition, the strategy is a consistency in the behaviour, so much if it is intentional as if it is not. Some authors as Quinn (1980, p.35) define the strategy of the following way: *“Gradually the successful approaches turn into a pattern of behaviour that it seems to be our strategy. Certainly we do not have a general strategy for it”*.

Strategy as position: According to this fourth way to understand the strategy, it thinks that a strategy is a position, that is to say, it is understood as a tool to place an organization in it that it is called an “environment”. Adopting this perspective, Hofer and Schendel (1978), define the strategy as the mediating force, or “coupling” between organization and environment, that is to say, between the internal and the external environment.

As Mintzberg recognizes, this way of understanding the strategy is compatible with any of the previous definitions or even with all of them. It is possible to aspire to a position by means of a plan or a pattern of action, as well as it can be shortlisted and achieved or both, or maybe discovered, across a pattern of behaviour.

Strategy as perspective: The difference between the previous definitions is that they were looking to the exterior, and the later one is orientated towards the interior of the organization, that is to say, it focuses on the field of the collective mind, on individuals joined by thoughts or similar behaviours. Thus, the strategy is considered a perspective, implying a particular way of perceiving the world. In this sense, we can say that the strategy is for the organization what the personality is for the individual.

Philip Selznick (1957) was one of the first writers who understood the strategy in this way. He defined strategy in relation to “the character” of an organization, “commitments on ways of acting and answering” clear and integrated objectives which are joined to the interior of the organization. But we must keep in mind that the perspective is shared and it is very important in this definition, that is to say, the strategy is a shared perspective by all the members of an organization, by means of its intentions and its actions. According to Mintzberg’s definition, we can say that he understands the strategy from the cultural perspective of the organization where the culture can be considered as a strategy. Furthermore, as we can observe in this dissertation, the culture and the strategy are closely related, because the processes of communication and the capture of decisions takes place across the members of the organization, and it is possible that Mintzberg understood the strategy from this cultural perspective.

#### Interrelation of the P:

The different studied definitions of strategy are closely related. For example, while some writers think that the perspective is a plan, others describe it as that which gives origin to the plans.

We might wonder how the perspective arises really. It is probable that it arises as consequence of previous experiences, that is to say, the organization might have tried several things in its years of training and in a gradual way to establish a perspective about the things that worked well. Therefore, the same as the positions, the patterns can originate perspectives. But the most important is to know that once plans and positions are given. It is difficult to modify the perspective once they have been established (Brunsson, 1982),

According to the objectives of this work, I believe that the strategy as perspective is the more suitable way of understanding the strategy, because when Mintzberg (1987) defines the strategy as such, he makes reference to the values, beliefs and behaviours that are shared by the members of the organization.

As we will see later, it is necessary to keep in mind the culture at the moment of implementing the strategy, because both are closely related, and it is necessary that they are congruent. Otherwise, we should change the culture or the strategy, since when they are not congruent they cannot coexist at the same time in the organization.

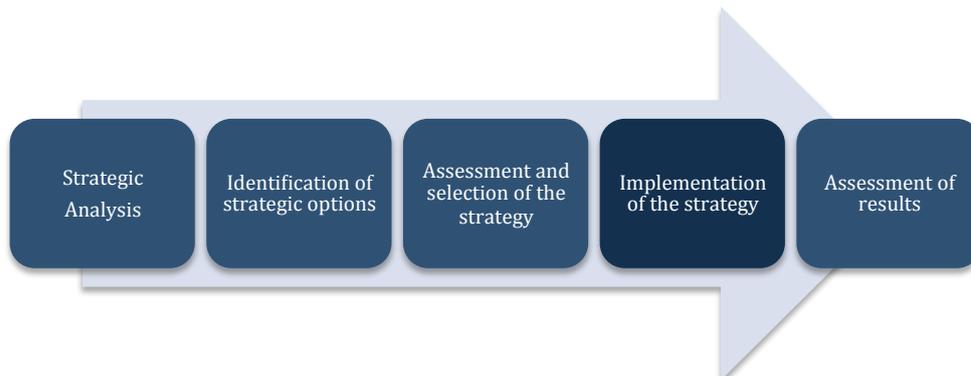
## 2. The strategic process

Once the different possible ways of understanding the strategy are defined, we are going to observe of that the strategic process consists and the phases that it includes in order to focus on one of them.

According to Ansoff (1965), strategic planning takes place in an integrated system with steps that range from formulation to implementation. As it is shown in *Figure 2*, Strategic planning involves the identification and selection of what Glueck (1980) calls the "strategic management elements", determining *organizational intentions* and selecting priority *strategic options*, as well as the "strategic management process" in which *analysis, choice, implementation and evaluation* are carried out.

The literature about management has traditionally given more attention to the formulation of strategies than the implementation of them. As we said before, we think both stages are equally important, the implementation and the formulation strategy. In this dissertation, we will focus on the stage of implementation; As Ansoff (1984) said, is the key step in the process of strategic planning. In the phase of implementation the organization proposes solutions to the problems of the structure's definition, the management and the motivation, and the problems of the organizational culture. An effective implementation strategy is necessary for keeping the competitiveness of the company, been this a difficult process because many factors influence in this process of implementation.

*Figure 2: Process of strategic direction*



## 3. The implementation of the strategy in the strategic process' framework

### 3.1 Definition of implementation

The implantation of the strategy includes the set of activities and decisions needed to make effective or to start the strategy and allowing with it to obtain both the mission and the strategic objectives.

It is necessary to say that in order that the implementation works a great quantity of attention is required. It is a process that comes as result of a serie of decisions and actions which are carried out throughout the time.

As Hrebiniak (2006) proposes, the implementation follows a formulation; one cannot implement, carry out, or ensure realization of something until that something exists. But formulation and implementation are also interdependent, part and parcel of an all

process of planning-executing-adapting. Planning affects execution. The execution of strategy, in turn, affects changes to strategy and planning over time. This relationship between planning and doing suggests two critical points:

1. Successful strategic results are best achieved when those responsible for implementation are also part of the planning or formulation process. The greater the interaction between “doers” and “planners,” or the greater the extension of the two processes or tasks, the higher the probability of execution success (Hrebiniak, 2006).
2. Strategic success demands a “simultaneous” view of planning and doing. Managers must be thinking about execution even as they are formulating plans. This dual or simultaneous view is important, but difficult to reach, and it presents a challenge to effective implementation (Hrebiniak, 2006).

Formulating strategy is difficult. But implementing it throughout the organization is even more difficult. Without effective implementation, no business strategy can succeed. Sound plans fail because of a lack of execution know-how and the ability to confront difficult organizational and political obstacles that stand in the way of effective implementation.

But unfortunately, one basic problem is that managers know far more about developing strategy than they do about executing it. They have been trained to plan, not execute plans. In this sense, “if managers are trained to plan, not to execute, and if they acquire functional skill, but not how to coordinate across the disparate functions” (Hrebiniak, 2006, p.13). Then, the successful execution of strategy becomes less likely and more problematic. Execution is learned in the “school of hard knocks,” and the ways to successful results are likely full with mistakes and frustrations (Hrebiniak, 2006).

One could discuss, of course, that execution cannot be taught. But managers can be taught the key steps or actions that lead to execution success. They can benefit from a model of implementation that lays out the process, the steps or decisions involved, and a logical approach to making strategy work. Without guidelines, execution becomes a labyrinth. Without guidance, individuals do the things they think are important, often resulting in uncoordinated, divergent, even conflicting decisions and actions. Without the benefit of a logical approach, execution suffers or fails because managers do not know what steps to take and when to take them. Having a model positively affects execution success. Besides, implementation demands owner at all levels of management. Execution is a key responsibility of all managers, not something that “others” do or worry about (Hrebiniak, 2006).

### **3.2 Different ways of implementing the strategy**

As mentioned above, the execution cannot be taught, but the managers can learn a series of key steps or tactics that they lead to the success of the execution. Thus, in this point we will study the different tactics that the managers can use in order to implement the strategy in a successful way. These tactics help to overcome the barriers for the implementation and also to create environments in which the strategy could survive.

The tools for implementing strategies have not developed as quickly as the tools we use for planning. However, recently business writers have begun to pay more attention to the problems of strategy implementation. Recent investigations into the practice of strategy making have developed highly effective tactics to implement strategy that has theoretical grounding and embody a coherent set of steps and activities. Nutt (1987),

as *Table 1* summarizes, has developed four types of tactics, called intervention, persuasion, participation, and edict. These tactics are used by managers to implement strategic plans (Nutt, 1987).

*Table 1: The different ways to implement the strategy*

Tactic	Key features	A summary of key steps
<b>Intervention implementation</b>	<ul style="list-style-type: none"> <li>-The intervention tactic appears to have its roots in the change agent ideas of Lewin (1947) and Schein (1964).</li> <li>-It is compared the actual situation with the wished one in order to create a necessity of change.</li> <li>-The authority is in the managers; all the activities are regulated by them, the other staff of the organization does not have any control.</li> <li>-Managers become the agent of change by taking over key steps in the strategic management process, regulating controlling social and political issues as they arise (Kotter and Schlesinger, 1979).</li> <li>-Groups used to offer advice which manager can veto.</li> </ul>	<ul style="list-style-type: none"> <li>- Current performance is compared to a standard to make this performance seem unacceptable.</li> <li>-Illustrations of how current practices could be improved were often used.</li> <li>-Formulate plan.</li> <li>-Show how plan improves performance.</li> </ul>
<b>Participation implementation</b>	<ul style="list-style-type: none"> <li>-This tactic has its origins in the human relations literature and the classic study of Coch and French (1948).</li> <li>-The managers stipulate the strategical necessities and an area of action. These options are developed by a selected group.</li> <li>-Participation is widely used: Group can specify plan features, made suggestions and decisions, within pre-establish constraints.</li> <li>-Staff assigned to support the planning group.</li> </ul>	<ul style="list-style-type: none"> <li>-Manager stipulates strategic needs and opportunities.</li> <li>-Form planning group by selecting stakeholders.</li> <li>-Delegate planning to the group and state intentions (objectives and constraints).</li> <li>-Formulate plan.</li> <li>-Designation of key people.</li> </ul>

<p><b>Persuasion implementation</b></p>	<p>-The managers give an expert the development of the required projects. The experts advise the managers about how they can obtain their main objective, and they discuss in favour of this idea in order to gain the approval to develop the idea.</p> <p>-Expert manages the planning process: Experts determine what should be done and use rational arguments to convince strategic managers to go along.</p> <p>-Persuasion tactics can be connected to operations researchers (Schultz and Slevin, 1975) and organizational design specialists (for example: Greiner, 1970) who call for experts to take a major role in formulating and developing strategy.</p>	<p>-Manager stipulates strategic needs and opportunities.</p> <p>-Authorize an expert to develop ideas responsive to the strategy.</p> <p>-Formulate plan.</p> <p>-Expert uses persuasion to sell manager on plan's value as a response to strategic priority.</p>
<p><b>Edict implementation</b></p>	<p>-The manager and staff share process management.</p> <p>- Edicts are derived from the use of power: Manager uses position power to implement the plan.</p> <p>-Managers in organizations become adept at using rewards and coercion, as well as the more subtle forms of power based on information, expertise, and charisma identified by French and Raven (1959).</p> <p>-The authority to offer inducements which encourage the adoption of a strategy or to remove people blocking action is well understood by strategic managers.</p>	<p>-Sponsor stipulates strategic needs and opportunities.</p> <p>-Formulate plan.</p> <p>-Manager issues a directive which calls for plan adoption.</p>

Source: Adapted from Nutt, (1987; 1989).

Each one of these tactics has to be used in agreement to the needs of every situation. Many managers make the mistake of designing a preferred form to face to the application and to use it as an exclusive way, and they do not realize that a tactic that is effective in a situation can fail in other one. For it, the managers must look for the conditions in which the different tactics can be in use in an appropriate way.

Bourgeois (1984a) introduces that corporate culture is now widely acknowledged as an important force in the success or failure of business ventures. He found five different

approaches to implementation strategy. In each one, the Chief Executive Officer (CEO) plays a somewhat different role and uses distinctive methods for developing and implementing strategies. In the *Table 2*, it is shown the main characteristics of each one of these approaches. The first two descriptions 'commander' and 'organizational change' represent traditional approaches to implementation; in these approaches the CEO formulates strategy first, and then CEO thinks about implementation later. The next two approaches 'collaborative' and 'cultural' involve more recent attempts to enhance implementation by broadening the bases of participation in the planning process. The final approach, the 'crescive' approach begins to answer some of the questions asked above by taking advantage of managers' natural inclinations to develop opportunities as they are encountered. In these five approaches we can see a trend toward the CEO playing an increasingly indirect and more subtle role in strategy development.

*Table 2: The different ways of implementing the strategy*

Basic description	Key features	A summary of key steps
<p><b>The Commander Approach</b></p>	<ul style="list-style-type: none"> <li>-This model encompasses the systems model and the incremental approach (Wheelwright, 1973).</li> <li>- Splits the firm into thinkers and doers.</li> <li>- The role of the CEO is "Rational Actor", who provides directives from the seat of power.</li> <li>- The model assumes that an exhaustive analysis can be undertaken before taking action.</li> <li>- Requires that CEO holds a considerable amount of power and has access to complete information.</li> </ul>	<p>The CEO concentrates on formulating the strategy, applying rigorous logic and analysis. He either develops the strategy himself or supervises a team of planners. Once he's satisfied that he has the best strategy, he passes it along to those who are instructed to make it happen.</p>

<p><b>The Organizational Change Approach</b></p>	<p>-This model offers an extension to the commander model (This approach starts where the commander model ends, with implementation).</p> <p>-The CEO applies behavioural science techniques to manipulate his organization into compliance with his strategic plan.</p> <p>-The role of the CEO is an architect.</p> <p>-The executive stays actively involved through the implementation phase and probably reveals the strategy gradually, taking advantage of opportune moments (Quinn, 1977) and (Quinn, 1978).</p>	<p>Once a strategy has been developed, the executive puts it into effect by taking such steps as reorganizing the company structure, changing incentive compensation schemes, or hiring personnel.</p>
<p><b>The Collaborative Approach</b></p>	<p>-The collaborative approach extends strategic decisions-making to the organization's top management team.</p> <p>- In this model the CEO employs dynamics and brainstorming techniques to get managers with differing points of view to provide their inputs to the strategic process.</p> <p>-The role of the CEO is coordinator.</p> <p>-Strategy is a negotiated outcome among players with different points of view and, possibly, different goals.</p>	<p>Rather than develop the strategy in a vacuum, the CEO enlists the help of his senior managers during the planning process in order to assure that all the key players will back the final plan.</p>

<p><b>The Cultural Approach</b></p>	<ul style="list-style-type: none"> <li>- The cultural approach extends the collaborative approach to lower levels in the organization.</li> <li>- The CEO guides his organization by communicating and instilling his vision of the overarching mission for the firm, and then allowing each individual to design his own work activities in concert with that mission.</li> <li>-The CEO plays the role of coach in giving general direction.</li> <li>-Implementation involves controlling the behaviour of others.</li> <li>-This approach begins to break down the barriers between “thinkers” and “doers.”</li> </ul>	<p>This is an extension of the collaborative model to involve people at middle and sometimes lower levels of the organization. It seeks to implement strategy through the development of a corporate culture throughout the organization.</p>
<p><b>The Crescive Approach</b></p>	<ul style="list-style-type: none"> <li>-The Crescive Approach addresses some of the limitations to the previous approaches.</li> <li>-This approach instead of strategy being delivered downward by top management or planning department, it moves upward from the doers and lower middle-level managers.</li> <li>-Strategy becomes the sum of all the individual proposals that surface throughout the year.</li> <li>-The power of the chief executive is limited: he must relinquish a lot of control over the strategy making process, seemingly leaving to chance the major decisions which determine the long term competitive strength of the company.</li> </ul>	<p>In this approach, the CEO addresses strategy planning and implementation simultaneously. He is not interested in strategizing alone, or even in leading others through a protracted planning process. Rather, he tries, through his statements and actions, to guide his managers into coming forward as champions of sound strategies.</p>

*Source: Adapted from Bourgeois, (1984a; 1984b).*

As we have observed in the previous tables, different authors identify different tactics or approaches in order to implement the strategy in an organization, which they depend on their way of understanding it. It is important to note that according to the different tactics of implementing the strategy, the culture will be more or less important depending on the tactics that is chosen in the organization to implement it.

Though each of these two studied authors uses different names (Nutt (1987; 1989), with his tactics of participation, as Burgeois (1984a; 1984b) with his cultural approach) they understand the strategy as a perspective that it is shared by all the members of the organization, and both coincide with that they facilitate the implementation through their participation, their values and their customs, because as we have observed before (and we are going to study it in depth later), the organizational culture can reinforce the strategy if coherence exists between both or on the contrary, it can suppose a significant obstacle for its implementation.

#### 4. Problems to an effective implementation of the strategy

If we want that the strategy has a relevant value for the organization, the formulated strategy must be implemented in a successful way. During the stage of implementation there can arise some barriers that stop this process and that constitute a great challenge. Successful implementation requires active and premeditated actions that include the coordination of multiple actors and activities, and other actions of a transient and complex kind.

Different authors have analysed and they have identified the existence of sweep them or limitations to the implementation of the strategy. Thus, Olsen, Tse, and West (1992), Pearce and Robinson (1982), Hrebiniak and Joyce (1984), and Galbraith and Kazanjian (1986) have identified the following obstacles for an effective implementation: (1) information systems, (2) learning, (3) allocation of resources, (4) formal organizational structure including control systems, (5) personnel management, (6) political factors, and (7) organizational culture. Following we will study each of them in more depth, and how they affect to the implementation of the strategy from the cultural perspective:

**1. Information systems:** They make reference to the channels that facilitate both the vertical and the horizontal information of the organization. Hambrick and Cannella (1989) do emphasis to the importance of selling the strategy so upwards, as downwards and across the organization, and it requires having an efficient system of information which is able to do that the information flows easily. Many researchers state that having slightly efficient systems of information can stop the implementation of the strategy. So, Hax and Majluf (1984) argue that in organizations where management is unable to communicate the strategy in a meaningful manner to all relevant parties, the strategy will most likely never be implemented. As Conrad (1990) affirms the employees wish that their Superiors keep them informed, especially about changes that directly affect their jobs.

The lack of appropriate information systems or of quality can suppose an obstacle for the transmission of the common values of the organization. This can also suppose a relevant obstacle for the effective implementation of the strategy because it is very relevant that all the members of the company share the same values. In addition to this, it is very important that they go in the same sense that the strategy goes in order to reinforce its implementation.

**2. Learning:** To be able to implement the strategy, it is not enough to inform the employees or to transmit common values, but the employees also have the necessary knowledge and skills for implementing it. So, learning, thus, becomes a key factor, because organizational members often need to increase their knowledge in order to implement a strategy successfully. According to Argyris and Schon (1978), organizational learning can be seen as a process aimed at uncovering and correcting such existing knowledge in the organization as might hinder the acquisition of new knowledge.

But to obtain the effective implementation, the knowledge and the skills are very relevant and the members of the organization learn and internalize the values of the organization, and all this will be able to learn across the action.

**3. Allocation of adequate resources:** It is impossible to implement the strategic planned activities without the necessary resources. Anand and Merrifield (1982) argue that it is mainly by means of the capital and operational budgets that strategies are implemented. But the allocation of financial resources also affects the allocation of human resources, and thus influences various aspects of the action plan (Olsen et al., 1992).

As we will see below, it is very important that both strategy and culture go in the same sense and they have the necessary resources, that is to say, when a company adopts, for example a strategy orientated to the innovation, it is important that it adopts a culture orientated to the innovation as well, because only in this way there will be a mutual reinforcement for the successful implementation of the strategy.

**4. The organizational structure** is another important factor in strategy implementation. Organizational structure can be defined as the relationship between tasks, individuals, and formal and informal channels (Olsen et al., 1992). The organizational structure affects implementation indirectly through its influence on information, control and decision processes. And control systems, in combination with incentive systems, are essential for motivating staff and ensuring appropriate behaviour in relation to the strategy (Hrebiniak & Joyce, 1984).

Moreover, the type of organizational structure must also reinforce the culture. Thus, it is very probable that companies with organic structures have more informal cultures. This is due to the fact that this type of structures allows the flexibility, and the participation of the employees in the capture of decisions, so by means of this type of structures the staff of the organization is able to begin changes to adapt to the conditions of the environment quickly or on the contrary, the mechanical structures probably have more formalized cultures in which the procedure of organization are formally written and they induce to the staff of the organization to behave in a predictable and responsible way.

**5. Personnel management** is a vital part of strategy formulation and implementation, because employees have aspirations, needs and feelings that affect the organization's performance. A strategy that ignores these factors is likely to meet massive resistance when it is implemented. Organizations and their staff tend to be interdependent. The staff expects their organization to satisfy a number of economic, personal and social needs, while the organization cannot function properly without the energy and talent of its staff (Bolman & Deal, 1991).

This aspect is very important in order to obtain the implementation. Through the staff management, it is necessary to look for the commitment of all the employees with the organization, because in this way all the employees will look for the good of the company, and they will feel valued. In many organizations, there is not any commitment of the staff with the own company, because the employees feel that the company only worries about the results and they do not keep the values of the people in mind.

**6. Political factors** can be a barrier when the employees think that the strategy can affect them in a negative form, they can act according to their own interests though these go in opposition to those of the own organization which can impede the implementation of the previous planned strategy.

This concept is much related to the availability of the suitable systems of information, because through some appropriate systems of information is possible to inform to the staff of the organization about the necessity of change to obtain an effective implementation, or though it is a process enough expensive and it is possible to change some of the values shared by the members of the company. Thus, we will be able to arouse to the employees of the positive aspects that they can have the adoption of this new strategy and therefore, to achieve that their own interests are joined by the implementation of the company.

**7. Organizational culture** is assumed to be important to organizational activities and performance. Culture is generally described as containing intangible and abstract elements that are difficult to pinpoint exactly (Bang, 1988). Culture is the generic term for the cognitive systems and behavioural patterns that exist in all organizations. A company's culture can act as a kind of organizational glue, thus affecting the degree to which a strategy is successfully implemented. After we are going to see that a managerial strategy can only be implemented when it is in agreement with the culture of the organization.

We have analysed each one of the obstacles for the implementation from a cultural perspective. In this analysis, the culture is considered an obstacle for the implementation if it is not aligned with the strategy. The misalignment may be due to the values of the organization are not transmitted correctly or the resources that a company has are not aligned with the values of the organization's staff. For that, before implementing a strategy it is necessary to analyse the type of culture that exists in the organization and implement the strategy before formulated, if both are congruent. Otherwise, when the culture turns into an obstacle, the organization can choose to change the existing culture, by means of a process that we will study in this work. In this way, we will adopt the type of culture needed to implement the new strategy in a successful way.

## 5. The role of the culture in the implementation of the strategy

### 5.1 Definition of culture

In the previous section we have defined a set of factors that make the culture an obstacle for the implementation of the strategy. Now we are going to study what the different studied authors understand about the organizational culture. The literature reviewed shows that some authors understand the culture as an internal factor of the organization, but others understand that the culture is a factor that influences in the strategy.

Regarding Schein (1985), organizational culture is the pattern of values, beliefs y basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration. A pattern of assumptions that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.

If one can demonstrate that given set of people have shared a significant number of important experiences in the process of solving external and internal problems, one can assume that such common experiences have led them, over time, to a shared view of the world around them and their place in it. So, the culture is a learned product of group experience and it is, therefore, found only where there is a definable group with a significant history (Schein, 1985).

According to Pümpin and García (1993), the business culture includes the set of opinions, procedure and values that characterize the behaviour of the executives and of the staff. It is reflected in the form how the problems of the staff are treated and solved (for example, in a bureaucratic way or, on the contrary, in simple way), how people confront with the work (for example, much work, an unconcerned performance), how they treat the clients (for example, a great disposition or not in order to solve the problems), or how they deal with many fields of behaviour of the members of the company.

Skinner (1971) also defines the organizational culture in terms of behaviour, as a set of contingencies of reinforcement applicable to members of an organization who share a common knowledge.

Culture is the set of shared values, shared beliefs, and customary ways of thinking and doing things which shape and guide the behaviour of organizational members. Its importance lies in its ability to influence the activities of members and the functioning of the organization without the direct imposition of measures and controls (Reichers and Schneider, 1990)

The above mentioned authors understand the culture as an internal factor in the organization that it is determined by the behaviour of all the members such as: managers or employees among others. But in any moment, they relate the strategy to the concept of culture. For it, Kerr and Slocum (1987) provide a definition more appropriate to the objectives of our work, because in addition of defining the concept of organizational culture, they have the ability to correlate it with the strategy.

Kerr and Slocum (1987) identified organizational culture as one key aspects of organizations that encourage and drive members of the organization towards accepting (or rejecting) a new strategy thereby achieving (or failing to achieve) the newly developed organizational goals and objectives.

Buono (1985) also defines the culture as a relevant factor of the strategy: "Organizational culture tends to be unique to a particular organization, composed of an objective and subjective dimension, and concerned with tradition and the nature of shared beliefs and expectations about organizational life. It is a powerful determinant of individual and group behaviour. Organizational culture affects practically all aspects of organizational life from the way in which people interact with each other, perform their work and dress, to the types of decisions made in firm, its organizational policies and procedures, and strategy considerations".

These definitions of the culture provided by Kerr and Slocum (1987) or Buono (1985) in which the culture is in relation to the strategy are more in line with the aims of our work. As we have mentioned below, our interest is to study how the culture may suppose reinforcement or an obstacle in the stage of implementation of the strategy process.

## **5.2 The importance of the culture in the implementation of the strategy**

As we have already mentioned, some authors define the culture as a determining factor for the success of the strategy. It can suppose in some occasions an obstacle for the implementation of the strategy and moreover, the managerial strategy can only make successfully when it is in agreement with the managerial culture (Pümpin and García, 1993). The culture of the company influences the strategies that it develops, affecting at the same time in the functioning of the organization (Meschi and Roger, 1994), providing to it meaning, direction and mobilization (Kilman, Saxton and Serpa, 1985). In fact, the culture limits the strategic options of the companies (Lee, Roehl and Choe,

2000). Furthermore, it can influence in the stages both of formulation and of implementation of the strategy, because, according to Schein (1985), the strategies cannot be implemented if they go in opposition to powerful cultural assumption.

Thus, if the coherence exists between the culture of the organization and the strategy, a mutual reinforcement will be given, but if it does not take place, it can cause serious problems in the functioning of the organization. In this sense, Thévenet (1986) makes reference to the culture as an obstacle that it can block any change or it can be a help.

But not only is the culture what influences the managerial strategies. The strategies can also influence in the culture, because they are creating the history of the company and transforming some of its values. Therefore, we can say that the strategy and the culture are closely related. Besides, it is necessary to emphasize that the influence of the culture is given both in the stage of formulation and of implementation of the strategy, because it can be a restriction or a stimulus for the putting into execution. Thus, we can say that the culture is as well an owner of the company and of its functioning, considering that it is a variable that allows the company to define the strategies to which better it adapts (Thévenet, 1986).

So, it is necessary to keep socio-cultural-political variables in mind as in the process of formulation as implantation of the strategy (Menguzzato, 1989). Even some professionals managed to indicate that the culture is going to determine the way in which the strategies are implemented (Davis, 1985). Pümpin and García (1988, p.22) indicated that “if the characteristics of the organizational culture coincide with the strategic requirements, the conditions for the implementation of an effective strategy and for the success in the long term of a company are achieved”.

The misalignment of the culture with the strategy hampers the implementation of the strategic plan, even the plan is well designed (Muñoz-Seca, 1989). Thus, it is probably that the values are altered during the implementation, when they penetrate into the strategy, a shock would continue taking place due to the slow evolution that characterizes the beliefs and they will actuate as an internal barrier to the implementation of the strategy (Claver, 1995).

What we mean is that the culture can influence in the implementation of the strategy, so in a negative as positive way. The culture will influence positively when it is widely shared and it manages the behaviour in the right direction. On the other hand, it will influence in a negative way when it is widely share and it manages the behaviour in the wrong direction. Therefore, it is necessary to verify the components of the culture in order to be able to minimize their negative effects and to strengthen their positive ones (Kilmann, Saxton and Serpa, 1985).

According to Pümpin and García (1993), only when a harmonization is achieved between the cultural rules and the strategies is when it will be created, ultimately, the strategic impulse necessary for its implementation.

Furthermore, the strength of the culture has to be kept in mind, because if the culture is strong, the change that the strategy will provoke will be more important and it will be more difficult to achieve their alignment. In this case it will be necessary to do a cultural change or a change of the strategy (Menguzzato and Renau, 1991).

In this sense, as we can observe in the *Table 3*, Scholz (1987) represents a mould with the different situations in which a congruity takes place between the culture and the strategy.

Table 3: Congruence between culture and strategy

<b>Culture</b>				
<b>Strategy</b>		<i>Weak</i>	<i>Medium</i>	<i>Strong</i>
<b>Weak</b>		<i>Perfect congruence</i>	<i>Perfect congruence</i>	<i>Perfect congruence</i>
<b>Medium</b>		<i>Perfect congruence</i>	<i>Problems of congruence</i>	<i>Problems of congruence</i>
<b>Strong</b>		<i>Perfect congruence</i>	<i>Problems of congruence</i>	<i>There is not congruence</i>

Source: Scholz, (1987).

As we can notice in Table 3, the main problems in the implementation of the strategy arise when the company has a strong and strength culture. Considering that the strategy gives a clear direction to follow and its objectives are very delimited, being these opposite to the culture of the organization. As these two dimensions are so strong, it is difficult to provoke a change in some of them. For that reason, the implementation is easier when one of them turns out weak and the culture or the strategy can be modified easily. The aim of our work is to provide some practical guidance about how to make a cultural change when it is needed in order to implement a strategy. In the following section, we will see how to make this change.

### 5.3 Positive and negative effects of the organizational culture

According to Schreyögg (1989), the corporate culture has a strong influence on the organization, whether positive or negative. Some authors, as Steinmann and Schreyögg (2000), Lee, Roehl and Choe (2000), and Lorsch (1985), identify these effects:

- **Positive effects**

- It can be considered as a mechanism of coordination due to the fact that exists an uniform orientation.
- The decision-making processes, are greatly facilitated by a common language, good mutual understanding and an accepted vision of the company.
- Accelerated implementation of plans and projects: Decisions based on widespread acceptance can be implemented quickly and effectively.
- Low control effort.
- High motivation and loyalty: The guiding force and shared enthusiasm for the company's vision fosters high motivation among employees and minimizes the tendency to leave the company.
- Stability and reability.
- The need for few formal rules.
- The workers feel identified with the organization.
- It may be an effort for the implementation when it is congruent with the new strategy

- **Negative effects**

- Tendency towards closed system.
- It may cause resistance to the changes when a fundamental change is needed; a stable and strongly cultural system becomes a problem.
- As Lee, Roehl y Choe (2000) said, the culture delimits the strategical options of the companies, because as we have mentioned along this work it must exist a congruency between culture and strategy.
- It may suppose a barrier for the implementation when it goes against the strategy.
- Fixation on traditional success patterns, because the culture is based on experiences of actions that they worked well in the past and they are determined as the way of taking decisions in the organization.
- Lack of flexibility. It is really complicated to change the culture when it is very strong and settled, and in a turbulent surrounding as the actual where it is necessary to adapt constantly to the changes that they may suppose a problem for the competitiveness of the organization.
- It may produce strategic myopia because the organizational one may make that some strategic options are not considered as acceptable (Lorsch, 1985).

To sum up, the described effects lead to problems of inflexibility and lack of adaptability. For an organization, strong organizational culture can be described as invisible barriers to strategic reorientation. Nevertheless, as we have mentioned in above sections, and as we can observe the positive effect of the corporate culture, when there is a congruency between the culture and the strategy. Because the culture allows an accelerated implementation of plans and projects, and at the same time it gives a fast and successful implementation of the strategy. Organization is increasingly confronted with strategic challenges that force them to depart from the traditional corporate strategy and view flexibility as a critical resource.

## **6. Ways to evaluate the culture in an organization**

After studying the close relationship between the culture and the strategy, organizations need to achieve a necessary alignment between both in order to implement the strategy in a successful way. As it is mentioned above, it is difficult because to implement a strategy which is not compatible with the managerial culture that has existed up to now. So, it is necessary to make a great effort and a careful planning about which the cultural change will be.

### **6.1 Cultural profile**

Once the strategy is formulated, the organization must analyse its culture in order to know if it is compatible with the strategy to be implemented. For it, the cultural profile, whose basic orientations are shown in the *Table 4*, allows a quite simple evaluation about if the congruence exists or not between the new strategy and the managerial culture (Pümpin and García, 1993). According to Pümpin and García (1988), it does not exist a profile with general validity of the managerial culture, so it is not possible to design a general profile for the same sector. Therefore, each company has an own cultural and individual profile.

Table 4: Basic orientations of the cultural profile

<u>Basic orientations</u>	<u>Description</u>
<b>Customer orientation</b>	Esteem for the customer, the customer is king.
<b>Personal orientation</b>	Esteem for the employee, trust, participation, basic attitude towards employees.
<b>Innovation orientation</b>	Encouraging innovative behaviour in all areas, innovation frequency and “testing” willingness to make mistakes.
<b>Costs orientation</b>	Cost awareness, economy measures, cost management.
<b>Productivity orientation</b>	Goal awareness, commitment, work intensity, aggression.
<b>Technology orientation</b>	Level of technological awareness and importance of technology or materials.
<b>Company orientation</b>	Loyalty, community spirit and identification with the company.

Source: Based on Pümpin and García (1988).

The model of Pümpin and García (1993), attempts to clarify the relationship between strategy and culture and it is characterized by seven basic orientations. These authors suggest that inside the analysis of the culture it is necessary to analyse its basic orientations, being relevant the following ones:

A comparison of the current culture with strategy determines whether a culture is strategy compliant. The better the fit, the more likely it is that the company will be successful.

Therefore, the basic orientation of the managerial culture can be represented in a profile of the company’s culture, where the intensity of the different orientations are classified in a scale of 5 points, from weak to strong. Once it is analysed and we know the basic orientation of the organizational culture, we must compare it with the requirements of the strategy that we want to implement, and in this way, we can know if there is an adjustment between culture and strategy. Or on the other hand, they are incompatible and it is necessary a change of strategy or culture.

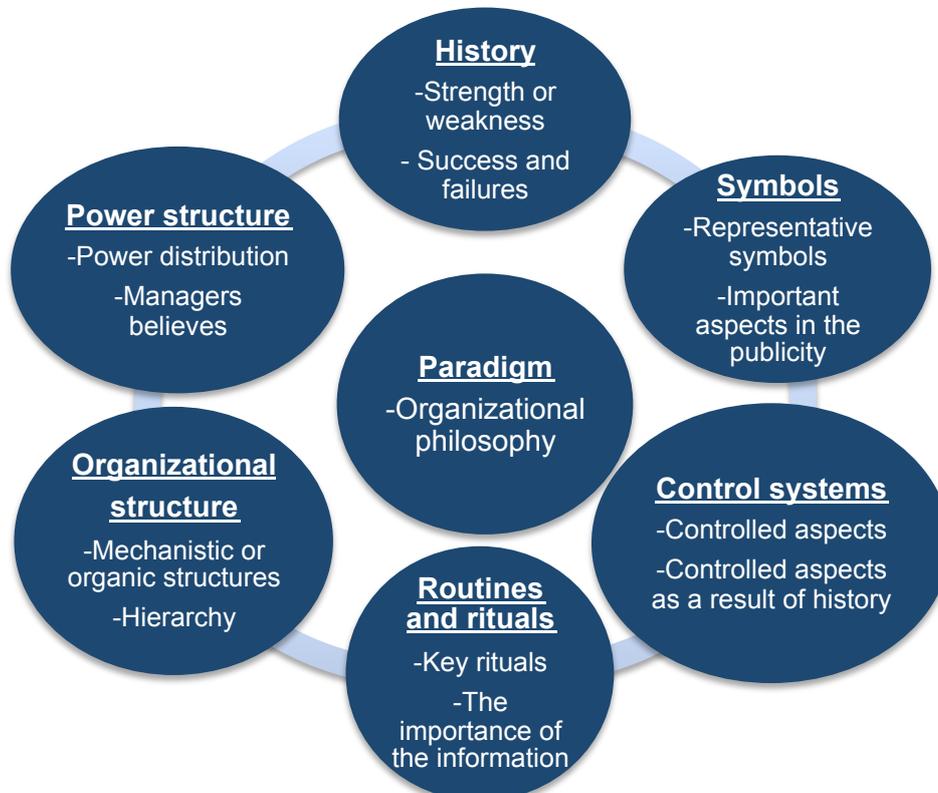
## 6.2 The cultural net

Johnson, Scholes and Whittington (2006), introduce the cultural net as another method that allows us understand the culture of an organization. The cultural net is a representation of the organizational culture based on seven dimensions (among them we can observe the history, the power structures, etc.) that capture the manifestation of the culture in the organization and the assumptions that they are considered settled in it. A brief description of the cultural net is as follows:

- The daily behaviours constitute the way in how the organization works every day. This allows observer the work of the organization and its distinctive competences.
- The rituals make reference to the special events that reinforce the way in which the activity in the company is and, which it is really important in it. They may also be informal activities.
- In the history, the events and the personalities are really important. They describe as the present as the past of the organization. It is a relevant way to inform about which is important in the organization. They are related as with success as with failures.
- The symbols are a quick representation of the organization. We may observe for example the company cars or the logos.
- The power structure allows observe the narrow relation between the powerful groups of the organization and the assumptions and the essential beliefs.
- The control systems are considered important to emphasize and supervise the most important in a company.
- The organizational structure reflects the power relations and that relations and charges are the most important. In the structures more mechanical, it is thought that the strategy is responsibility of the high directors, whereas the other staff only works under their orders.
- The paradigm includes and reinforces the behaviours observed in the other elements of the cultural net. It constitutes the organizational philosophy.

As we show in *Figure 3*, Johnson, Scholes and Whittington (2006), provide some guidelines that may result useful in order to understand the culture through the dimensions of the cultural net.

*Figure 3: Guidelines to understand the culture.*



*Source: Adapted from Johnson, Scholes y Whittington (2006).*

From these guidelines shown in the above table, we can start understanding that each one of the dimensions that form the cultural net. Moreover, a detailed map about the cultural net of the organization is a good source of information for understanding its culture, being this the method that we use in the case study to evaluate the culture of the company of study.

## 7. Culture-strategy adjustment

From the literature reviewed in this dissertation we have studied aspects of the organizational culture. The most important conclusion is that the business strategy can only be successful if it matches the organizational culture (Pümpin and García, 1993). If it matches, there will be higher probabilities that this implementation strategy will succeed. (Pümpin and García, 1988).

Pümpin and García (1988), give a series of steps to evaluate whether there is an adjustment between culture and strategy:

- Firstly, in the phase of strategy formulation, the strategy in mind has to be evaluated and the requirements of this have to be determined as for the organizational culture. It means, it is important to take into account the requirements of the strategic objectives constructed as for the set of beliefs and values of the organization.
- Secondly, taking into account the characteristics of the organizational culture from the strategic point of view, we have to evaluate its basic orientations like:
  - Level of customer orientation characterization.
  - Level innovation orientation characterization.
  - Level of costs orientation characterization.
  - Level outcomes orientation characterization, etc.

(For it, we can use the cultural profile studied previously).

- Finally, as soon as this view has decided according to the strategy, we must acquire it with the view of the actual organizational culture. The result of this comparison must be explained in the following points:
  - If both views coincide, the probability of which the strategy could be made successfully is raised, as we revealed at the beginning of this section.
  - If there are differences between both profiles, two options can exist. On one hand, we might accept a strategy that adjusts to the organizational culture. On the other hand, to accommodate in a very definite way the organizational culture to the strategy (Pümpin and García, 1993).
  - If both views differ between them in different basic orientations, it is when an adaptation of the strategy arises. The solution of these differences would demand a new orientation totally different from the actual organizational culture. The accomplishment of such evolution would be too big and it would need much time.

In our case, attending to the results mentioned previously, now we are going to study how to make a cultural change when there are serious misalignments between the cultural and the strategic profiles.

## 8. Cultural change

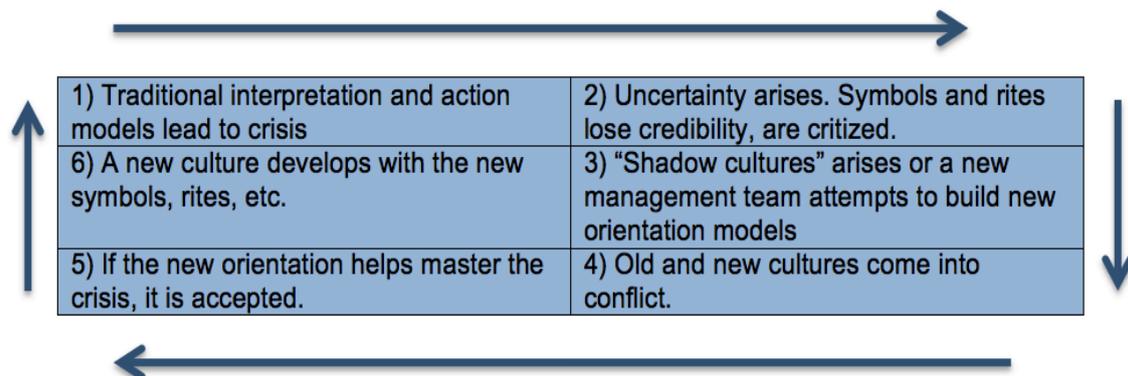
### 8.1 Progression of Cultural Change

The problems that arise when there is a misalignment between a strong corporate culture and the strategy of the firm raise the question of what an organization can do to avoid these negative effects and reinforce the positive ones. There is a lack of consensus about this point in previous literature (Schreyögg, 1989). As we mentioned above, the recommendation is to make compatible the culture and the strategy.

Some authors suggest that corporate culture is a difficult value system and behavioural collection that grows without planning. This implies that it cannot be changed only by flicking a change. Other authors suggest that an organizational culture is basically accessible to change. People are able to realize their own values and rules, think about them, and if appropriate, exchange them for others. On the other hand, cultures are slow-moving phenomena and therefore, it can only be changed by means of a long-term learning process on the part of the members of the organization.

Dyer (1995) states that changes in corporate cultures have always taken place from time to time. He proposes a six-stage course of such changes can be described in *Table 5*.

*Table 5: Course of Culture Change.*



*Source: Based on Dyer (1985).*

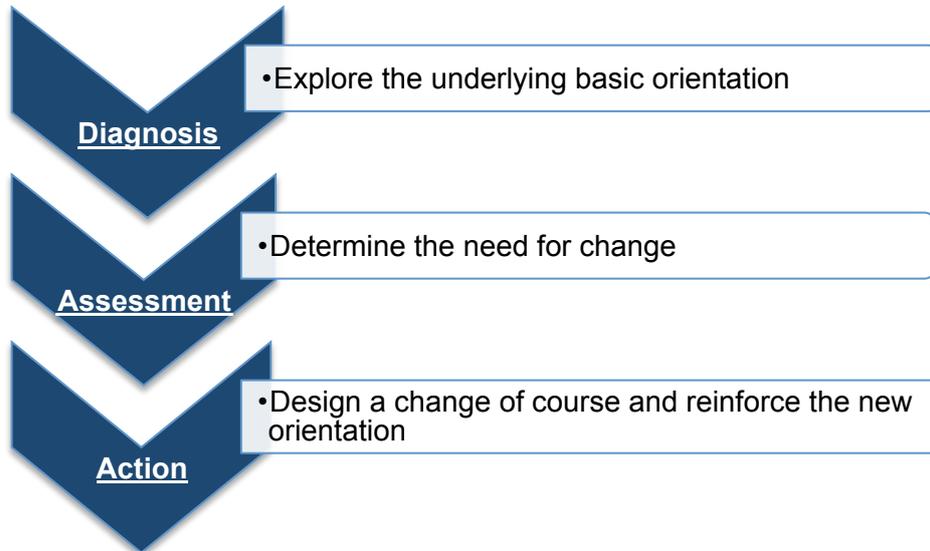
The starting point of culture change is always a fight. The traditional interpretation and action models lead to crisis and are not very successful. Uncertainty spreads and doubt is cast on the images and rituals, which are then criticized and lose their fascination. Latent "shadow" cultures that have previously gone unnoticed now become evident (Dyer, 1995).

At this point the problem between the old and new cultures becomes hostile; a power battle breaks out. If the crisis can be controlled, and if the staff attributes this success to the new adjustment, the latter will be accepted. In most cases this is tricky, because as a rule when a new culture is introduced it is followed by a redistribution of resources. Those favoured by the old culture usually develop big resistance and undermine the new "world view" as far as possible. If in spite of everything the problem-solving potential of the new adjustment is acknowledged, a new culture develops, with new symbols and new rituals. This continues until another crisis happens and the circle starts again (Dyer, 1995).

## 8.2 Stages in order to get a cultural change

In this point, we are going to show the typical process of a cultural change in organizations. If a company is attempting to initiate such a process actively, then it will not wait until a crisis breaks out. Rather, it will try to initiate a preventive course correction (Fankhauser, 1996). As we can observe in *Figure 4*, this normally consists of the three phases: diagnosis, assessment, and action.

*Figure 4: Phases of culture Change*



*Source: Based on Trompenaars and Hampden-Turner, (2007).*

Any process of cultural change must inexorably start with an analysis of the current situation. It has proved very helpful for this goal to divide the corporate culture into three levels. An effective way to start is by systematically recording visible forms of expression of the organizational culture or, in other words, the language, rituals, apparel, forms of personal interaction etc. On this basis, an attempt is then made to open up the invisible basic assumptions by means of the values and norms (Baldegger, 2012, pp. 332-334).

Typologies can be used as an orientation tool for the analysis. The principal obstacle here is that the members of the organization are not normally able to describe the corporate culture, because the culture is not consciously practised and reflected.

The focal point of the diagnostic tools should be on individual interviews and group discussions, which can even be extended to external stakeholders (such providers and clients). The results of the interviews and discussions are compared with observations, document analyses, and questionnaire-based surveys. The comparison should tell inconsistencies and determine projections that are then analysed further. The observations relate to all cultural signs, such as language, behaviour, or clothing (Hofstede, 1980).

The diagnosis is followed by the assessment. An attempt is made to assess the effects of the culture identified, particularly in light of new and future conditions that are necessary for the new strategy. This defines the target profile, and therefore serves to the actual culture as a benchmark. The result of the comparison shows whether the present culture can deal with the conditions required by the strategy. Studies, such as Kobi (1990), prove that the biggest difference between the actual and target profile is often shown in the employee orientation.

The comparison of the strategy and the organizational culture results in a need for a change, the third phase action. It is important to be aware that culture change is an extremely difficult and time-consuming process. If this is not recognized and accepted, open or conciliated resistance will arise soon, a situation that is hard to overcome. Three groups of actions are differentiated for development of a strong corporate culture:

-Embodied values systems: Culture lives from its trustworthiness. Executives have to behave in conformity with the organization's values and norms in word (spoken and written) and task. Employees who display behaviour in conformity with the values should be publicly reinforced, so that they become role models.

-Symbolic management: Important cultural symbols are conveyed by the creation of new icons. In strong cultures, symbols, stories, or slogans, are communicated: their contents reflect the values and norms that predominate in the organization.

-Value-based human resources management: Value-based human resources management includes all elements of the process; in other words, it is prepared towards the functions of personnel selection, evaluation, development, and remuneration.

Culture development is not a process that can just be appointed; new values cannot be imposed. The adjustment to the environment, the acceptance of new assumptions about the environment and the nature of human actions have to take place in the employees heads, otherwise all efforts are pointless. The company has to be convinced that a change is needed and should be motivated to attempt to do something new. It is possible to develop a culture only on the basis of wide participation, and a culture development is justifiable only on this basis; any other approach is in danger of becoming manipulation (Baldegger, 2012, pp. 332-334).

## 9. Case study

Once the different forms of implementation of the strategy are analysed, it is required to pay more attention to the role that the organizational culture plays in the implementation of the new strategy or in the way which a cultural change must be implemented. In this section we present the case study of Talleres Foro S.A in which it is illustrated the failure of a diversification strategy as a consequence of a misalignment between the new strategy and the cultural values of the organization.

The analysis of this study case results interesting for the aims of our work, because the culture of Talleres Foro has played an important role when a strategy of diversification was implemented in 2009 that it had been carefully formulated by the company. So in this case study, it will be convenient to analyse the culture of the organization, the way in which managers understand the strategy, and the problems that they had when they tried to implement the strategy in its organization. Moreover, we are going to see the changes that they had to assume, and finally, we are going to analyse the current culture of the organization in order to assess these changes easily.

### 9.1 Description of the organization and data collection methodology

According to the general description, Talleres Foro S.A. is a Spanish company founded in 1957, with registered office in Onda (Castellón). It develops its activity in the engineering and manufacturing of transport lines and process applications for the

Ceramic and Tile industry. Its main activity, in which it is present from its creation, Talleres Foro manufactures facilities for the preparation of glazes and enameling lines.

For the development of this case study we followed a qualitative research, due to it is more opened than the quantitative one, and it is based on the experience, the interpretation and the intuition. For that, it is more appropriate to analyse the role of the culture of Talleres Foro in the implementation of the strategy.

Once elaborated the initial plan and established the objective of our investigation, we interviewed the managers of Talleres Foro through two personal interviews. In particular, we interviewed Francisco Ortells (General Director), Jose Pascual Pitarch (Technical Director) Jose Francisco Badenes (Finance Director) and Ricardo Pallarés (Commercial Director). Besides, as it is shown in the *Appendix 1*, and with the purpose of obtaining specific information for the objective of our investigation, we also get additional information by means of a questionnaire administered to the four members of the executive committee.

In addition, we also used some secondary sources such as the website of this organization available at: [www.talleresforo.com](http://www.talleresforo.com). It has given to us general information of the organization like the sector in which it works or the products that it sells.

## 9.2 Analysis of the situation at the moment of assuming the strategy of diversification

Due to the sustaining growth experienced by the Spanish economy after overcoming the crisis of the 90s, Talleres Foro obtained significant benefits that reached around 15% of the turnover after tax.

In 2008, it begins a slowdown of the growth of this economy and the market starts being affected. In addition, during the years of economic growth, major competitors begin to emerge in the field of machinery for the ceramic industry and with the arrival of the crisis it threatens the competitiveness of Talleres Foro.

Given this situation, the executive committee of Talleres Foro began to seek new opportunities for them to overcome these obstacles and to keep obtaining profits. Therefore, at the end of 2008 and with the intention of reducing the risk of failure in the commercialisation of equipment for the ceramic industry, they decided to embark on a strategy of product diversification through the production and commercialisation of air conditioners under the name "Foro Clima". As the commercial director Ricardo Pallarés said: "It was very risky to put all one's eggs in one basket."

As discussed by their managers, the formulation of this strategy was extended for a year with a lot of negotiation in which Talleres Foro analysed many factors, among them the business setting in which they were trying to compete, the resources and the capacity that had to do so, the available budget, or the required changes in the structure, among others, to guarantee that it would be easy to implement it. Due to the product that this company tried to commercialise was not associated with either the industry that they had been working on, or with the products that they had been selling until that moment.

## 9.3 Problems in relation with the implementation of the strategy

At the time of implementing the new strategy, the managers of Talleres Foro considered many factors, but they did not analyse the organizational culture at the time, nor took into account the importance of having congruence between the both of

them. In order to analyse the influence that the culture had in the implementation of the diversification strategy, the interviews with the executive committee revealed the cultural network of the company at the time of the adoption of the strategy.

As seen in *Appendix 2*, the organizational culture that Talleres Foro had at the time of adoption of this new strategy was totally oriented to the customer. There was too much control of the budgets, and were the partners themselves who were responsible to contact the customers and to evaluate their satisfaction. In terms of structure, we can say it was an organic structure where the staff of each section had the authority to make routine decisions, but the power of making important decisions lay in the four directors of the organization. It was characterized for being an informal culture where the rules were hardly established, the workers operated freely and always under their own supervision. Regarding the communication systems, we can say that a horizontal communication predominated in both directions. The person in charge of each section communicated the managers the routine decisions that they were making, and the managers reported the results or new developments.

Considering the excessive control of the budgets to commercialise air conditioning at the lowest possible price and the lack of the analysis of the organizational culture, the managers of Talleres Foro did not consider that the people in charge of the air conditioning assembly were not concerned with the quality of the components they used. They did not share the value of the importance of preventing defects, ensuring that the products covered the needs and expectations of their customers, achieving in this way their satisfaction. After a while the customers started to complain because of the malfunction of the hot air, the time used for the installation, and the noise caused by these to get them working, among others.

#### 9.4 Cultural change in Talleres Foro S.A.

In this situation, Talleres Foro decides to start a changing process. As it is shown in the *Figure 5*, the executive committee followed a process of evaluation based on three stages. It evaluates the internal situation of the organization and compares it with the desired one, for the success of this strategy.

*Figure 5: Evaluation of the current culture and the requirements of the strategy in Talleres Foro SA.*



Given the need of a change, at the end of 2009, the executive committee starts raising awareness of its employees of the importance of avoiding the use of techniques and faulty components, so the products not only meet the expectations of the customers, but that they go beyond these ensuring their satisfaction (which had been the main objective of this organization throughout its history), and to keep track of this satisfaction decides to adopt the ISO 9001 standards. It wants to create a culture totally oriented to customer satisfaction by preventing the use of defective products and quality assurance at each stage of the assembly line and the installation process. It tries to create a culture less oriented to the budgets and more oriented to the quality

and the customer satisfaction, so that the air conditioners have the best value for money.

At this stage however, several problems arose in the organization. Managers were fully aware that by preventing these defects the customer satisfaction would be achieved and thus, the success of the diversification strategy. Although employees were warned about this need, some of them did not share this value because they were not committed to the organization. They felt that the quality of the components was not a problem to worry about, so they continued working as they had done so far: worrying about budgets rather than offering products with the best value for money.

Due to the coexistence of both cultures in the organization, there were some tensions between employees and managers. This generated internal, budget and customer satisfaction problems because the cultural change was a very difficult process; the need for change must be shared by all the members, so it can be successfully in the shortest possible time to allow the implementation of a successful strategy.

After these problems (internal, dissatisfaction, budget, etc.), Talleres Foro decides to leave the commercialisation of air conditioners keeping only some employees trained in repairing the air conditioners to continue offering repair services to customers that trusted the products that Talleres Foro offered once. They decide to improve the production of their traditional product lines to retain customers they had in the ceramics sector and in which it was traditionally dedicated. They focused their efforts towards values that had to be modified to create a culture in which all members of the organization shared the values of the need to prevent the use of defective components, to ensure the quality of its products and to ensure the satisfaction of its customers.

After leaving the strategy of diversification, and dedicating many efforts for changing the organizational culture, the staff became concerned about the prevention of defects (through the enrolment in courses of quality management or the adoption of ISO 9001 rules). After that, some changes were observed in the customer satisfaction. The results of the questionnaires completed by some customers gave the highest score for the quality offered by Talleres Foro on glazing lines. So this new cultural orientation began to have very positive results in customer satisfaction (some of whom were dissatisfied with Talleres Foro after buying some air conditioners that had been defective and of poor quality).

Thus, as shown in *Appendix 3*, a new much more formalized culture was developed, which set new standards of behaviour in the glazing production lines oriented to the prevention of defects. There also were some changes in decision-making processes. Decisions were more centralized, allowing the director of each department to be responsible for making routine decisions, but also allowing the participation, and taking into account the employees' opinion, values or beliefs sometimes. The centralization of decisions-making allowed reducing the impact of employees' values, opinions and beliefs on routine decisions and outcomes of the organization, facilitating at the same time, the alignment of interest between managers and subordinates.

All these changes caused a paradigm shift in the organization. Now it does not only exist the belief that the customer comes first, but there is a belief that to satisfy him, they have to offer products with the best money value. Therefore, the philosophy of the organization revolves around preventing the use of defective products and components, providing thus a higher quality in customer service and ensuring his satisfaction. In addition, the controls have been improved in the organization, not only the managers evaluate the satisfaction of customers but the company has adopted the ISO 9001 standards to ensure their satisfaction in each stage of manufacturing

process. There is also a rigorous control by the technical department to ensure that the components used in the products, and the characteristics of them meet the expectations and requirements of customers.

### 9.5 Why did the implementation of the new strategy fail? The role of the culture in Talleres Foro S.A

As we have explained at the beginning of this research, our aim in this study case is to analyse the role that culture had in the implementation of the diversification strategy. In order to know if the culture was the main conditioning in the failure of the Talleres Foro strategy, we have performed a questionnaire which is shown in the *Appendix 1*. In this questionnaire the managers were asked about managerial aspects relating to how they understand the strategy or the tactic of implementation that is used in the organization. Depending on how they understand the strategy or the tactic of implementation which they use, the culture has a more or less important role.

From the four managers of this organization, both the CEO as the commercial director understood the strategy as a plan, whereas the CEO understood the strategy as a perspective because as he told us when we made the questionnaire, he thinks that the strategy should be shared by all members of the company to achieve the wished objectives, since a company does not need a strategy if it is not shared by all members and each one of them progresses in a different direction. For his part, the technical director understood the strategy as a pattern of action, in his opinion, this strategy is a tool used by organizations to defend from the actions of the competitors. So we can say that there had not been any agreement between the executive committee in relation to the ways of understanding the strategy.

Furthermore, for the purposes of this paper, it is also in our interest to know which of the ways of implementation identified by Bourgeois (1984a; 1984b) and Nutt (1987; 1989) and studied in the theoretical framework were used in this company. So in the questionnaire completed and shown in *Appendix 1*, we asked the four managers on how things were done or how strategies were implemented in this organization.

First of all, the managers of Talleres Foro noted that the implementation of the new decisions or strategies in the organization was done through participation of all employees (with their ideas, opinions, points of view, etc.). Important decisions lied on the directors of the organization, but the views and contributions of its employees were taken into account, as one of the managers told us “Two heads are better than one”, this way they tried to reduce the risk in major decisions as different points of view are taken into consideration. Concerning routine decisions, it means that all members of the organization had the authority to take them; it only required that they were communicated to management to consider the results.

As well we explained in previous sections, according to Bourgeois and Nutt, depending on the form of implementation that is used in the organization, organizational culture plays a fairly important role in implantation. The participatory approach used by Talleres Foro was closely influenced by the organizational culture. Members of the organization, through their participation, values, beliefs and habits influence both, the decisions they took periodically and the management of the organization. Because of the members of the executive committee showed much interest in their values, opinions, or beliefs when they had to make changes and especially in its implementation.

These results show us that maybe the participative approach that Talleres Foro had at the moment of implantation of the strategy was not the most appropriate. Due to the

staff did not value the importance it was to avoid the use of default components, and as a consequence of the influence of their values and beliefs, they took decisions that they were negative for the success of the strategy.

### 9.6 Which factors had the implementation of the new strategy facilitated?

As we saw in the point 4 “*problems to an effective implementation of the strategy*”, some authors state that in addition to the culture, there are other factors that may hinder the implementation of the strategy if they are not managed in the proper way. For Talleres Foro, its managers should also have taken into account some of these factors to reduce the negative impact of culture and strengthen implementation in other ways:

-Information systems: The implementation of strategy requires that the organizations have appropriate channels to facilitate the flow of information both vertically and horizontally. The managers of Talleres Foro, in order to achieve the cultural change that would allow effective implementation in the shortest possible time, had to open channels of communication to inform the employees about the need of a change and the benefits that this change could have to maintain the competitiveness of the organization. A better communication of the employees with their managers may reduce uncertainty about these changes.

-Allocation of adequate systems: It is impossible to implement a strategy if the organization does not have the necessary resources. At the time of the formulation of the new strategy, the managers of Talleres Foro analysed the resources and capabilities that had to successfully implement the strategy. But during the period that its formulation process took place and the time it took in the cultural change, the results of this new strategy were increasingly detrimental to the maintenance of budgets.

-Personnel management: An effective implementation requires that the support of this strategy is promoted by all the staff. In Talleres Foro, this would be related to communication systems because managers must have reported about the benefits that the proper functioning of this strategy could be for all members of the organization, so that all supported the change.

-Organizational structure: In Talleres Foro the organizational structure did not contribute to the success of the strategy because at the time of the implantation it had an organic structure, in which rules were not quite delimited and there was a decentralized decision making. It caused that routine decisions as well as routine operations, were effected by the lack of values that were required for the successful implantation.

As we have previously discussed, these factors can become barriers to implementation if not properly managed. Like the culture, they can also strengthen the implementation if were properly administered. Therefore, Talleres Foro in order to reduce the negative impact that the culture was having on the implementation of the new strategy must have taken into account some of the actions previously commented that allowed to overcome and to strengthen the cultural change necessary for the successful implementation of the diversification strategy that had been so carefully made.

## 10. Conclusions

In a turbulent environment as the one in which companies operate today, employers must respond quickly to changes that occur. Organizations must adjust not only administrative and organizational systems to these changes, but also be able to

formulate and to implement new strategies when required, and adjust their business culture to the requirements of the strategies formulated. Successfully implemented new strategies will allow them to be more competitive in the new business environment.

In this dissertation, we have observed these concepts when applied to a real case in which due to the changes that they produce in the environment, it is necessary the adoption of a new strategy of diversification to reduce the risk of competing in an only sector. The lack of adjustment of the culture to the requirements of this new strategy supposes a barrier for the implementation, that provokes the failure of the new strategy.

The main conclusion, we have seen throughout this paper is that a good strategy is not useless if they do not take into account the factors that hinder its implementation, and we cannot manage them so they become a booster shot for this. These factors, as we have seen in the case study, include, among other, information systems or organizational structure, but we highlight the corporate culture as a factor in all phases of the strategy process, and mainly, as we have been shown throughout this work, it has a crucial importance in the implementation stage. Although according to the different ways of implementing previously studied, the influence of the culture will vary depending on how strategies are implemented in each organization (for example, in the participatory or cultural approach, the culture will play a more important role than in a commander approach), due to the influence of values, beliefs and customs of the members of the organization in making decisions and implementing them.

Given the influence of the culture in the implementation of the strategy, organizations must take into account the process of adjustment between the two concepts. Culture limits the strategic choices available to the organizations and strategies cannot be implemented if they go against the culture. Two situations can happen: If both culture and strategy are consistent a mutual reinforcement will occur at the implementation phase. But if this adjustment doesn't happen, serious problems can occur in the functioning of the organization. This situation is clearly described in the study case, where the lack of alignment between strategy and culture is described.

Another point to be discussed in this dissertation is that it is not only the culture that influences the strategies, but strategies also influence the culture. Strategies are created through the history of the organization and are transforming values, opinions, beliefs or basic assumptions of the members of the organization. We saw this in the study case that the negative experience with the diversification strategy makes Talleres Foro to rethink the situation and to start worrying about the prevention of defects in traditional products.

We have also observed that cultural changes take time. It is not a process that can take place from one day to another, since it is a very difficult process to change the values, thoughts, basic assumptions or beliefs of the members of the organization. This also are clearly illustrated at the company we are studying, when trying to implement a the new strategy they had to make aware their employees about the importance of preventing these problems and they were still worrying about offering air conditioners at the lowest possible price, regardless the quality of the components they were using and customer satisfaction.

We believe that this dissertation provides some guidelines to an organization that needs to make a cultural change as quickly and successfully as possible. Among these guidelines, we find that companies must be prepared to analyse the situation in which they are operating when the first problems appear in the implementation. They need to compare it with the desired situation to resolve it, so as to determine the need for a

change, and the necessary actions can be taken to achieve as soon as possible a situation that allows implementing the strategy successfully. Finally, once achieved these changes, the organizations must stabilize and refreeze the new situation that will successfully implement the strategy.

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**APPENDIX 1:** *Survey about the way to understand the strategy in Talleres Foro SA.*

1. Mintzberg identifies five different ways of understanding the business strategy, what do you mean by strategy? Mark the answer that best fits your way of understanding it.

- a) A strategy is a set of goals and action plans that will guide the future of the company and allows us to meet a particular situation.
- b) A strategy is a "maneuver" to win the game to a competitor. It allows us to create a favourable competitive position.
- c) A strategy is a mediating force between the company and the environment, which marks the boundaries of the company. It also benefits to the organization in a changing environment to meet the needs of markets and to meet the expectations of stakeholders.
- d) One strategy is the allocation of resources and objectives among the members of the company for a specific behaviour. i.e., it is a pattern in a stream of actions.
- e) The strategy is a common bond. I mean, it is a perspective shared by all members of an organization, through their intentions and actions.

2. The strategic process is composed of a series of stages among which are strategic analysis, strategy formulation and implementation of strategies. Do you think the organizational culture influence some of these steps?

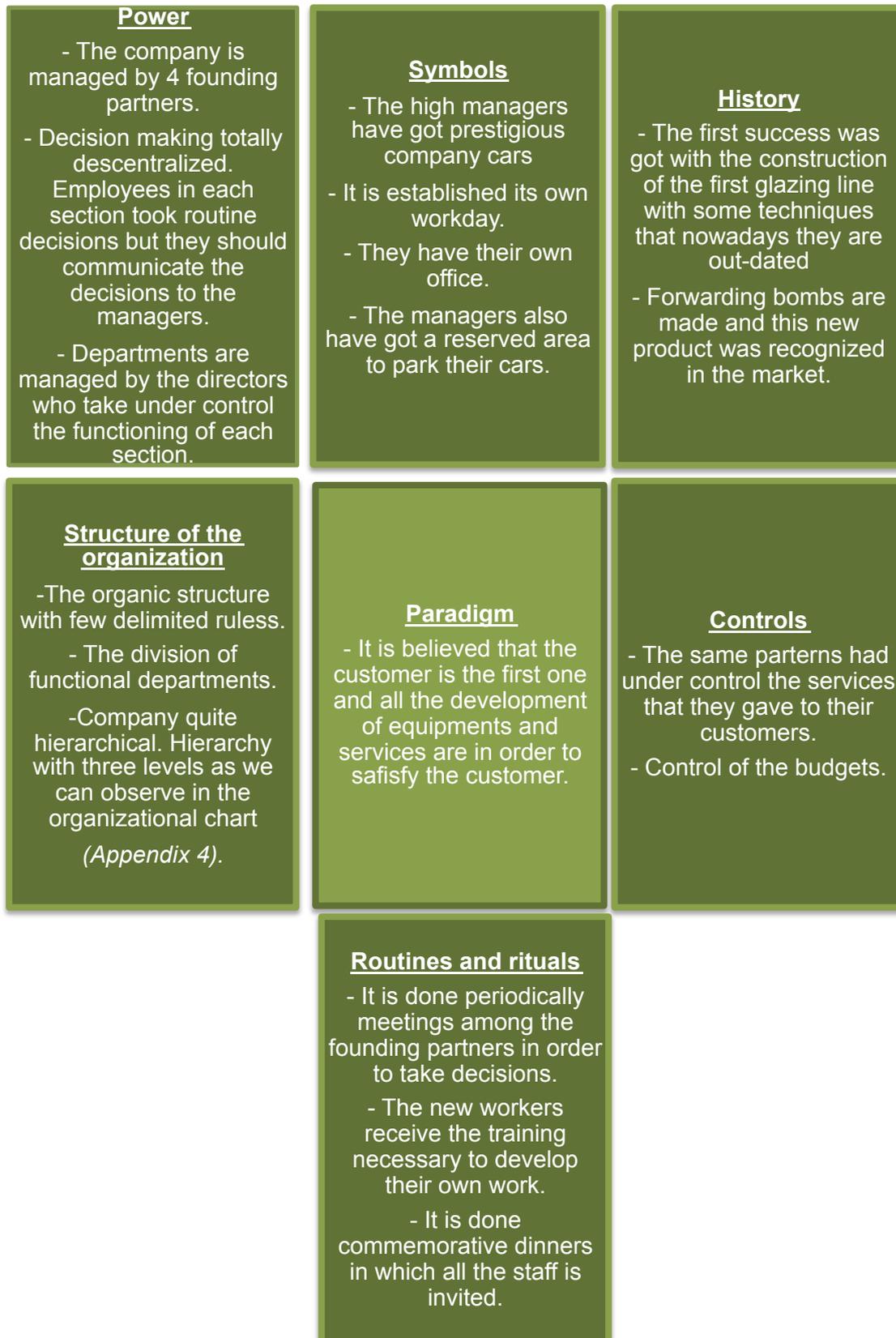
- a) Affects only strategic analysis.
- b) Affects only the formulation stage.
- c) Affects only the implementation stage.
- d) Plays an important role in all stages of the strategic process.

3. As for the methods of implementation of the strategy, which of the following definitions best fits the way things are done in Talleres Foro S.A.?

- a) The authority to make the changes required by new strategies adopted by the company or new decisions lies on the directors of the organization. Managers are those who create the need for a change in key personnel of this organization and who control all political and social issues that may arise. Only managers have authority to control and make decisions.
- b) Managers stipulate strategic needs or requirements of change, and delegate the development of the activities or necessary decisions among the staff of the organization, in a manner which takes into account all views and information. Any plan may be proposed by the staff of the organization that has good ideas.

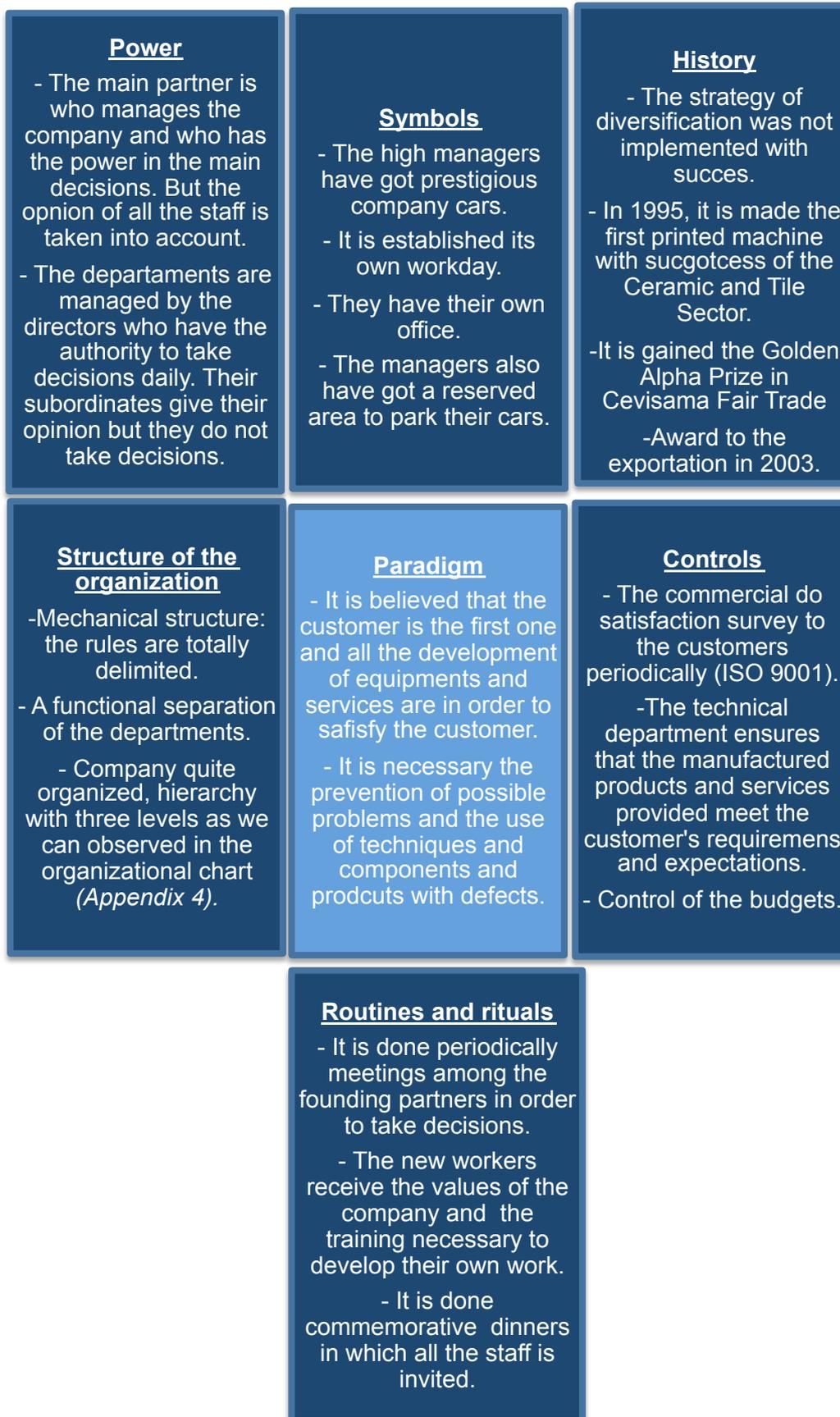
- c) Managers turn to experts in this field to determine what it has to be done. Experts use rational arguments to convince the strategic managers and obtain the necessary authorization to develop the idea.
- d) Managers use their power to get the necessary changes to implement the new strategy or decision, they use it rewards, coercion or incentives.

**APPENDIX 2: Analysis of the cultural net in the past in Talleres Foro SA.**



Source: Personal compilation.

**APPENDIX 3: Analysis of the cultural net at the present in Talleres Foro SA.**



Source: Personal compilation.

**APPENDIX 4:** Organizational chart in Talleres Foro SA.

