



**CHAPTER 1**

**The organization as a  
cultural construct**



In order to explore the future for global business, we should first reflect on where the past has brought us. When we look at work that was done in the late nineteenth century and at the beginning of the twentieth, we can clearly see how social theory in general and organization theory in particular have attempted to explain the developments that the industrial revolution had initiated.

Among the grand theories that have stood the test of time, we find the works of Durkheim, Tönnies and Weber that seek to explain large societal developments. Emile Durkheim focused on the transition from mechanical to organic solidarity as a result of the division of labor. Ferdinand Tönnies observed a movement from *Gemeinschaft* to *Gesellschaft*, while Max Weber discussed the unavoidable evolution of the bureaucratic “ideal type” as a logical conclusion of the “spirit of Protestantism.” In the field of organization theory, we can see serious efforts by Taylor and Fayol to find reliable, reproducible and transferable principles that would help management and workers to become more efficient. Frederick Taylor is credited with developing Scientific Management (although he never used this term to describe what he called “managing scientifically”) and his account of the Pennsylvania Dutch is well known. By simply observing movements of physical labor and advising workers how to become more efficient, productivity was significantly affected. In parallel, attention was given to effective systems of variable pay, so that workers were motivated to apply more efficient work methods. Henri Fayol focused on organizational structure, looking at things like the most ideal team size and the optimal “span of control.” However, the assumption on which these ideas were based is clearly that of a purely rational individual – an “actor” – in a closed organizational system.

With increasing organizational efficiency, growth was spectacular. So much so that private owners had to go public, not simply because the stock market was now a fact, but because the split between ownership and management developed. A new shareholder logic was introduced which kept the individual rational but opened the organizational system. Simultaneously, Scientific Management continued to experiment on how one could increase worker productivity by changing “hygiene factors” such as the intensity of light in the work environment. The so-called Hawthorne experiments on this led to results which surprised the theorists: people did not operate like mechanical systems. From this, Elton Mayo and Dick Roethlisberger, the two main experimenters, started what was to become the Human Relations School. Workers were more motivated by the fact they got attention and felt part of an elite than by the level of the lighting on their work bench. This opened up new attention to the actor as a full social individual, in sharp contrast to the uni-dimensional, materialistic, rational actor that was assumed to exist under the Scientific Management School.

However, organizational systems and thinking remained far too closed. Many social psychologists of the 1950s followed similar assumptions. Unfortunately these models are too often cited by more recent writers seeking to legitimize their own commentaries.

<b>Motivational Scope</b>	<b>Organizational System</b>	
	<i>Closed</i>	<i>Open</i>
<i>Rational</i>	<ul style="list-style-type: none"> <li>• Scientific Management (strictly “managing scientifically”)</li> </ul>	<ul style="list-style-type: none"> <li>• Functionalism</li> <li>• Early Systems Theory</li> <li>• Contingency Theory</li> </ul>
<i>Social</i>	<ul style="list-style-type: none"> <li>• Human Relations School of Social Psychology</li> </ul>	<ul style="list-style-type: none"> <li>• Modern Systems Theory</li> <li>• Symbolic Interactionism</li> <li>• Chaos Theory</li> </ul>

Functionalism and systems theory as methodologies were developed to obtain better insights into the interaction between the organizational system and its environment. By considering an organization as an open system and introducing concepts such as input, output, feedback, and lag, many new linkages were discovered to be in need of attention. Systems jargon – like Entropy, the Principle of Equifinality, and the Law of Requisite Variety – was introduced or copied from other disciplines. Writers like Parsons, Merton, and von Bertalanffy were criticized because they looked at an organizational system in the same way that a natural scientist would look at a molecule. The systems movement culminated in the Club of Rome (Limits to Growth) which predicted the end of the economic world from the vicious circle of growth producing waste and depleting raw materials. Today, a version of this open systems approach is still very popular; for example, look at contingency theory. This has some following because it has been subject to critical and rigorous research by academics such as Harvard professors Paul Lawrence and Jay Lorsch. Essentially contingency theory was a revenge and counter-argument to the “one best way of organizing” so implicit in Scientific Management. Contingency theorists like Derek Pugh and Paul Hickson (the so-called Aston Group of researchers) demonstrated that optimal organizational structure was contingent upon main environmental characteristics such as the inter-linkage between technology and market.

Lawrence and Lorsch found significant correlation between the degrees of differentiation and interpretation of organizational processes in industries that were operating in different environments. Others found relationships between the number of hierarchical levels and the complexity of technology. Attempts were made to quantify the cause-and-effect relationships of environmental factors, such as complexity of market and technology by using R&D expen-

diture/turnover ratios or the average life span of a product. The search was on for variables, co-variables, and transfer (input-output) functions. In turn, the structural characteristics of an organization were quantified through counting hierarchical levels and the average span of control. In some cases, scores of job-evaluations were entered into computer manpower planning models. And indeed, the claimed optimal organization structure was dependent on those quantifiable environmental characteristics that could be modeled!

The motives for such research and claimed findings were varied. Thinking often followed the notion that if the optimum organization structure could be designed and implemented, then a lean, efficient organization would enable management to deliver the shareholders' goals. And in this optimal organization, management could motivate and control the work force in order to deliver the results if they knew which levers to pull (or push) – levers such as pay for performance.

Let us remind ourselves once again that most of this published research, the host organizations in which the research was undertaken, and the researchers themselves were Anglo-American – or were at least dominated by such thinking. But then came a quantum shift: the beginning of globalization during the 1970s.

Organizational theorists added the cultural factor. Studies were conducted in large multinational role-driven organizations, like Shell and IBM, operating in global markets. The immediate advantage of such market settings was that factors such as financial, technological, and market conditions were similar since the companies sold global products. In fact, the only significant difference was the cultural environment in which the company operated. Some early results at the time showed that the cultural factor was an insignifi-

cant influence on the way the organization was structured – especially where the HQ or parent structure had been exported without any local adaptation. It was commonly held that “the organization is (national) culture-free” and in some regard this is still evident from our consulting practice today – more so than one might expect.

*Fons remarks:*

*In my earlier career at Shell, while I was doing my PhD, I clearly remember my encounter with the Dutch General Manager of the refinery in Singapore. I asked him how the refinery had adjusted itself to Singaporean culture. He immediately asked whether I was working with Personnel! Indeed at the time I was, so he invited me into the real world of management and gave me a tour. Amid the whispering of steam from hot metal, he asked me if I could understand that “things could not easily be adapted to Singaporean culture. If Singaporeans do not like working in shifts, can we simply adjust our approach? Obviously not.” Cynically enough, this revealed that the way the organization was set up was very similar to the refinery in Rotterdam-Pernis. In fact the organizational schemes were developed there and “exported” to Singapore, even including the descriptions for the large majority of jobs. In short, the technology of production was so dominant that culture was deemed irrelevant.*

What about the financial analysts or market traders of today and their approaches? When they cut a deal for a merger or acquisition, do they ever raise the possibility of a cultural misfit in the organizations they marry? No, because the financial factor dominates. This was well illustrated by one analyst who whispered to us: “We are in the business of weddings, not in long-term marriages!”

So why the Culture for Business series? Both in theory and in practice, culture is a factor that, unlike technology, market or financial conditions, cannot easily be quantified or shown to be a major causal variable. And yet the greatest management thinkers and practitioners keep on bringing up this subject of culture. How come? What is the fallacy in the existing debates on culture? What is the limitation of the logic within which these conclusions have been drawn? We offer an answer.

### **CULTURE AS THE CONTEXTUAL ENVIRONMENT**

Although the preceding arguments sound very logical, they are only logical within an illogical system. The assumptions on which these perceptions of reality are based come straight from the natural sciences. The quest was for scientific rather than ontological truth. The Contingency School also interpreted reality as scientists would study cells. There were no alternative ways of imposing meaning on what was observed. It was Alfred Schutz, the phenomenologist, who said it so clearly: "The advantage of a natural scientist over a social scientist is that atoms and molecules don't talk back." The researcher has often taken the observed individual as a purely rational actor, following exactly the same motives as the observer would follow. This is not only true for the definition of the environment but for the interpretation of organizational structure as well. Let us return to the definition of complexity of the technology in use or to the number of hierarchical levels in the organization. The former was defined by indices or ratios such as R&D/Turnover. If we were to ask a modern teenager – without a calculator – what the square root of 144 multiplied by 13 and divided by 10 was, they might well answer that the sum was impossible for them to solve. In contrast, a third year math student might laugh about its simplicity. What is complex and/or makes things complex?

In order to approach the answer we need to include the perception of those who perceive this reality. When asking a Singaporean how many levels of authority he had above him and how many below him, he answered three above and five below. We were surprised because Fons had interviewed a process operator in Rotterdam with exactly the same job description, but in a very much larger refinery. His answer was two levels above him and three below. What accounted for the difference was that an older colleague of the Singaporean was seen as hierarchically senior, despite the fact that they had a similar job group level; furthermore, the fact that a woman was at the same formal level didn't mean much to the interviewee in Singapore. Both internal and external environments are created in the minds of those who observe them. In fact, as the systems thinker Russ Ackoff would have put it, the contingency theorist observes behavior, while a modern systems theorist needs to explain action. If we observe a mouse and see it running for a piece of cheese, then we can guess that the cheese is the goal. But it is difficult to check whether the mouse is aware of this goal or has set this goal. It might just be an automatic reaction. And what about a computer? Like the mouse – the animal – it seems to be goal-seeking, but not goal-setting. And that accounts for behavior rather than action. It is purposive behavior and not purposeful behavior or action. Action is motivated behavior. It is behavior where the individual is not only seeking goals but also setting them.

In combining the full spectrum of an individual's range of possible behaviors and to include the environment, the organizational scientist has major dilemmas to reconcile. That is why in the early 80s so many alternative methods were developed to help the observer make sense out of all this. Much underlying rationale was about trying to make employees behave in ways deemed to be effective. But

the problem with seeking to simply hire a pair of hands is that there is always a person on the other end!

The dilemma is clear. Social psychologists can make useful generalizations about human and organizational behavior, but the environment is often excluded. On the other hand, when the early open systems thinkers and functionalists introduced the environment, the behavioral perspective still dominated. We have been influenced by all these theorists but especially by the later systems thinkers like Russ Ackoff and Eric Trist, by symbolic interactionists like Mead, by elusive management thinkers like Charles Handy and by the beginnings of Chaos Theory.

Once we take the goal-seeking and goal-setting individual seriously as the core of our debate in framing organizational behavior, we realize that we immediately face a whole series of organizational dilemmas. When we introduce people in organizations as purposeful individuals who interact with an environment of choice, who are also displaying free will, how can we ever conceive of an organization in a larger community asking for discipline and control?

Action is motivated behavior and therefore a basic principle of motivation needs to be introduced. Etymologically speaking, the word "motivation" is derived from what makes a person move. Why not go back to Aristotle who introduced three basic motives: *causa ut*, *causa quod* and *causa sui*? the *causa ut* or "in order to" motive is the motivation that individuals derive from the pre-designed pictures which they make; these can range from a very detailed short-term project or a fuzzy long-term vision. The *causa quod* or "because" motive refers to the moving force of a situation that has happened to an individual. Finally, the *causa sui* refers to the fact that the actor is "self causing." in every act, the three motives are united, but one or more might prevail. Why all this fuss? Because it helps us approach

the central dilemma of management or being managed – namely the differentiation of thoughts and feelings open to free will and integration through being organized. The causes that motivate our behavior from the past and the design of our visions are both socially constructed. Once we understand that, we start to understand that there is an evolution of sharing between people enabling them to be organized.

Let's add another logic of interactionism. If we review the definitions of organizational structure, we find the basic one is "a set of relationships among the parts and between the parts and the whole." Natural scientists would decide on the type of relationships they were looking for and how these were dictated by the whole. Social scientists cannot but include the individuals that have made up this structure. If we simply said that we have observed a flat organization in Singapore and that the individuals making up that structure did not agree, then who is right? In fact it doesn't matter, as long as we know that "what is defined as real is real in its consequences." We should never forget that the essence of relationships between the parts are individuals communicating. Communication is the exchange of information. Information is the carrier of meaning. So if we agree that culture is essentially a system of shared meaning, we begin to understand that every organization is a cultural construct.

We have sought to justify that culture is not just a factor that we can introduce next to ones such as technology, socio/political, financial, and other elements making up the transactional environment. Culture is rather the contextual environment, defining much of the essence of the relationships between an organization and the environment in which it operates.

