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A COMPUTER-BASED AID FOR THE DESIGN
OF A STRATEGIC ORGANIZATIONAL CULTURE

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Abstract

This paper presents a theoretical framework for the alignment of organizational culture and strategy by integrating knowledge from diverse areas of organizational studies including strategic human resource management, organizational culture, and the specific design of human resource practices. It then describes a computer-based aid which offers practitioners a step by step guide for improving their competitive position through the development of a "strategic" culture. It is proposed that organizations can achieve a "strategic" culture through two processes: 1)the careful design of HR practices which promote behavioral norms necessary for achieving the organization's strategy and 2)the deliberate selection of candidates who share the desired values which reinforce the organization's cultural norms.

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Introduction

Since the early 1980's, Human Resource (HR) practitioners have been receiving two messages from the academic and professional literature regarding how to increase the competitive capacity of their organizations. The first of these messages refers to the importance of developing a "strong" culture which supports the organization's competitive strategy. The second message stresses that at a time in which competition among businesses centers on the possession and development of knowledge, the manner by which those who possess this knowledge (employees) are managed can be an important source of competitive advantage. In other words, two key factors for success in today's competitive environment are continuously espoused to be an organization's culture and its HR practices, both of which influence the behavior of organizational members.

Despite the continued insistence on this double message, the problem that confronts practitioners is how to put these ideas into practice. There are numerous articles which explain how to develop a "strong" organizational culture (Deal and Kennedy, 1982; Ouchi, 1981; Peters and Waterman, 1981), as well as references touting the positive impact that carefully designed HR policies can have on organizational efficiency (Devanna, Fombrun, and Tichy, 1984; Truss and Gratton, 1994; Wright and McMahan, 1992). Unfortunately, if practitioners want more than general affirmations and recommendations, it is difficult for them to find a practical tool which actually permits them to link their organizational culture and HR practices with the strategic objectives of their businesses. Given that an organization has clearly established objectives, there still remain questions that are particularly difficult to resolve, such as: What can an organization do to insure that its culture supports its strategic goals? Are culture and the design of HR practices independent approaches for increasing an organization's success or are they complimentary? In short, what relationship exists among strategy, culture, and HR practices, and how can they be combined to strengthen an organization's competitive advantage?

Providing a tool for practitioners that allows them to respond to these questions was the goal of a joint research project developed by organizations from Spain, Italy, Belgium and Holland and sponsored by the European Commission as part of the ESPRIT program. The specific objective of the project was to design a computerized

Human Resource (HR) method that users could adapt to different organizations throughout Europe.

The current work presents the general framework of the aforementioned project. It begins by explaining the theoretical basis for the development of a “strategic” culture. The resulting theoretical framework integrates knowledge from the areas of strategic human resource management, organizational culture, and the specific design of HR practices. It then develops the method step by step through which the computerized tool guides users in order to help them create and sustain the organizational culture best suited to achieve their strategic goals. The development of a “strategic” culture is achieved through the detailed design of HR practices and the careful selection of organizational members. The paper concludes with a discussion of the benefits and limitations of this type of computerized tool for business use.

Theoretical Framework

Strategy and organizational culture

Strategies can be thought of as the diverse approaches which organizations choose to follow in order to achieve success or a competitive advantage. Meanwhile, culture can be described as the characteristic way in which work is done in different organizations. The perceived relationship between culture and competitive advantage has changed throughout the years. The authors who popularized corporate culture in the 1980's (Peters and Waterman, 1981; Ouchi, 1981) considered that there were particular cultural configurations which led to success. Other authors emphasized the importance of a “strong” culture as the key to success (Deal and Kennedy, 1982). They defined a strong culture as one in which there is consensus throughout the organization as to what the dominant norms are and where the organizational members identify personally with the dominant cultural norms. Both of these positions regarding organizational culture have lost momentum over time. With respect to the first position, it is now believed that the insistence on “one best way” of doing things is wrong: doing things a certain way or having a specific culture may be very positive for one organization, while the same culture may be fatal for another organization. If, in addition, the fatal culture is strong, this would be even worse for the organization. The example of IBM illustrates this point. IBM is included in Peters and Waterman's book as an one of the “excellent”

companies. However, in the following years the company experienced great difficulties. These difficulties were exacerbated by the strength of its organizational culture, the same culture which had been acclaimed previously as the reason for its great success.

More recently a contingent approach has been suggested in order to explain the relationship between culture and organizational success. A strong culture may be an important factor in obtaining a competitive advantage, but only under certain circumstances. That is to say, only when it is the appropriate culture. Barney (1986) states that a culture is appropriate when it is valuable, scarce, and difficult to imitate. Figure 1 shows the proposed relationship between culture and organizational success. Here culture is defined as the characteristic manner in which things are done in an organization (Uttal, 1983). If this manner of doing things is the most appropriate for achieving success in the organization's competitive environment, then the culture is an asset for the organization. On the contrary, if the culture does not encourage the behaviors necessary for the organization to compete successfully in its environment, the culture is a liability for the organization.

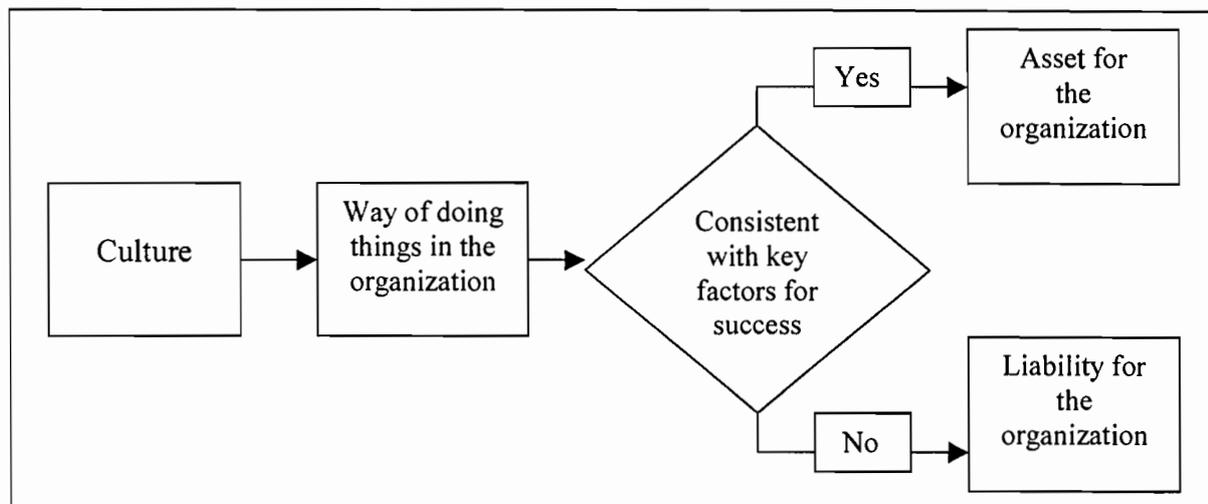


Figure 1: Culture and organizational success.

Culture

The notion of culture originated in the field of anthropology. In the first explicit formulation of this concept, Tylor defined it as “that complex whole that includes knowledge, belief, art, morals, law, customs, and any other capabilities and habits acquired by man as a member of society” (1871, p.7). Such an understanding of culture,

as including just about everything found in a society, causes it to be an unmanageable concept in many situations. For this reason, when this concept is applied to the study of organizations, a much more restricted definition tends to be used. It is generally accepted that there is no agreement as to the true essence of culture, but that the use of restricted conceptualizations of culture is necessary.

Some restrict the definition of culture to the values shared by individuals within an organization (O'Reilly, Chatman and Caldwell, 1991; Uttal, 1983; Van Maanen and Schein, 1979). Values are relatively stable and enduring basic beliefs in the desirability of certain behaviors or end states. Understood in this way, organizational cultures can be distinguished by what the members of different organizations consider to be important or desirable. For example, in some organizations members value being flexible and taking risks, while in other organizations members value following rules and security of employment.

Others define culture as the process by which the underlying values are expressed in the organization. Ouchi (1981), for example, defines culture as "the set of symbols, ceremonies, and myths that communicate the underlying values and beliefs of the organization to its employees." Along the same line, Trice and Beyer (1984) study culture by examining the organization's rites and rituals.

Finally, others equate culture with the product or manifestation of the underlying values: organizational norms. O'Reilly (1989) affirms that culture is the set of central norms which characterize an organization and which shape the behavior of individuals and groups within the organization. He explains that norms can be understood to be expectations regarding which behaviors are appropriate and which behaviors are inappropriate. Thus, in some organizations it is expected that people share their opinions with their boss, while in others people never express disagreement with their superior, likewise, in some organizations a "good" leader takes control, while in others a "good" leader delegates responsibilities to subordinates.

For the proposed framework, the last of these positions is adopted. This choice is based on the following arguments:

1. Culture defined as norms has been supported empirically. Hofstede (1990) showed that organizations from the same national culture differed more in the norms they followed than in the values they shared.

2. Culture defined as norms allows all organizations to have a culture. Ouchi (1981) classified organizational structures as bureaucracies, markets or clans. If culture is considered to be shared values, only clans would have an organizational culture. It is clear that bureaucracies (i.e. McDonalds) and market organizations also have cultures or a well defined way of doing things.

The question that must be answered next is, Where do these norms that define an organizational culture come from? In some cases, behavioral norms emerge due to the fact that the organizational members share certain values that cause them to have expectations as to which behaviors are appropriate and which are not. There are other situations, however, where norms are not the result of shared values among organizational members, rather they are determined by organizational rules and practices. Take McDonalds, for example, where the employees working in the restaurant behave as they do because of tightly controlled organizational practices. Even in cases where employees do not share the dominant values of the company (they don't believe that following the strict work processes required by the organization is a desirable behavior), they have no choice but to adhere to these norms, given the high degree of regulation in their jobs. Accordingly, cultural norms are determined by both values and organizational practices.

If the organizational norms are those required to successfully compete in the organization's environment, the more strictly these norms are followed, the stronger the organization's competitive position. This is the aforementioned contingency approach used to explain the importance of strong cultures. The question that follows is, How does one establish a strong culture?

A strong culture is defined by the intensity and crystallization of its norms (O'Reilly, 1989). Intensity refers to the amount of approval or disapproval that is associated with the norms, while crystallization refers to the degree of consistency with which such norms are held within different parts of the organization. In order for these two elements to be present in an organization's culture, two things are necessary: 1) the HR practices must send messages to the employees regarding the behavior that is expected of them, that is, messages that will establish the behavioral norms which permit the organization to achieve its strategic objectives, and 2) organizational employees must be selected very carefully so that their values are congruent with those values which support the organizational norms. Following, the reasons for the

importance of these two steps in the creation of a strong culture are explained in more detail.

Cultural norms through HR practices

Behavioral norms are established through the shared information and experiences of employees within the organization. According to Schwartz and Davis (1981), HR practices provide information and shape the behavior and experiences of employees, thereby becoming the means whereby cultures are created and sustained. It is thus clear that the creation of norms to support an organization's business strategy depends on the careful design of the organization's HR practices.

To this end, an organization's business strategy must first be determined. One of the many different strategy typologies that has been proposed is that of Miles and Snow (1978). Their typology has been found to be empirically sound (Doty, Glick, and Huber, 1993) and has been used previously to study the link between business strategy and specific HR practices (Saura and Gomez-Mejía, 1996). Miles and Snow distinguish two basic strategies: defender and prospector¹. A "defender strategy" is one in which the organization's primary strategy is to protect the firm's existing market share. That is, defenders concentrate on what they currently do and how to do it better. A "prospector strategy", on the other hand, emphasizes growth. Prospectors continuously look for new ideas and new products to introduce.

It is further suggested by Miles and Snow (1984) that particular HR practices correspond to the defender and prospector strategies. For instance, they argue that a defender strategy is best supported with HR practices that emphasize internal recruitment, process-oriented performance appraisals, and an internally consistent compensation system, while a prospector strategy is best implemented with HR practices that emphasize external recruitment, results-oriented performance appraisals, and externally competitive compensation system.

Gomez-Mejía, Balkin and Cardy (1995) have developed this approach in a more systematic way. They identify six HR areas (work flows, staffing, employee separations, performance appraisal, training and compensation) and suggest strategic options which correspond to the two basic strategy types. Take the area of training, for example,

¹ Miles and Snow's typology includes a third intermediate "analyzer" strategy. However, following Gómez-Mejía, Balkin and Cardy (1996), the current work reduces Miles and Snow's typology to two basic strategies.

where the practices congruent with a defender strategy emphasize specific on-the-job training on an individual basis, meanwhile the training practices for a prospector strategy tend to emphasize off-the-job team-based training of a more general nature (See Gómez Mejía et al., 1995; p. 59). The current work is based upon such a correspondence between the two types of business strategy and HR practices.

Cultural norms through values

As previously mentioned, values are assumed to be relatively stable, enduring beliefs. It is, therefore, unlikely that an organization can change the values of its members. This being so, the best way for an organizational culture to include the values that support its strategy is to hire individuals who already share the same values. The selection of individuals according to the fit between their values and the values which support the organization's strategy can be achieved through a selection procedure which incorporates the concept of person-organization (P-O) fit.

P-O fit refers to the compatibility between employees and the organization in which they work (Kristof, 1996). This compatibility is often measured in terms of the congruence between individual and organizational values (Chatman, 1991; O'Reilly et al., 1991). Studies have shown the positive influence of P-O fit on work attitudes, such as job satisfaction and organizational commitment (Chatman, 1991; Boxx, Odom, and Dunn, 1991), on turnover (Bretz and Judge, 1994; O'Reilly et al., 1991) and on work performance (Bretz and Judge, 1994).

Bowen, Ledford, and Nathan (1991) made one of the first calls for the inclusion of P-O fit in the selection process. They argued that the match between individuals' personality, values, and interests and the organizational culture, in addition to the necessary match between individuals' knowledge, skills, and abilities and the job requirements, should be an important consideration when hiring employees for long term employment. According to Bowen et al. (1991), hiring people who "fit" the organizational culture would lead not only to more favorable employee attitudes and behavior, as subsequent studies have shown, but it should also help to reinforce the organization's culture.

In sum, it is concluded that there are two practices by which an organization can achieve a strong "strategic" culture (See Figure 2). First, the organization must carefully design all of its HR practices so that they are aligned with its strategy in order to

promote the desired behavioral norms. Second, the organizational values can be strengthened through the deliberate selection of candidates who share the desired values. While personnel selection is, of course, an HR practice, it is considered here as a separate step to emphasize its unique impact on values. Based on this theoretical framework, the current work offers a computerized tool to guide practitioners in the development of a “strategic” culture. A description of the computerized HR method follows.

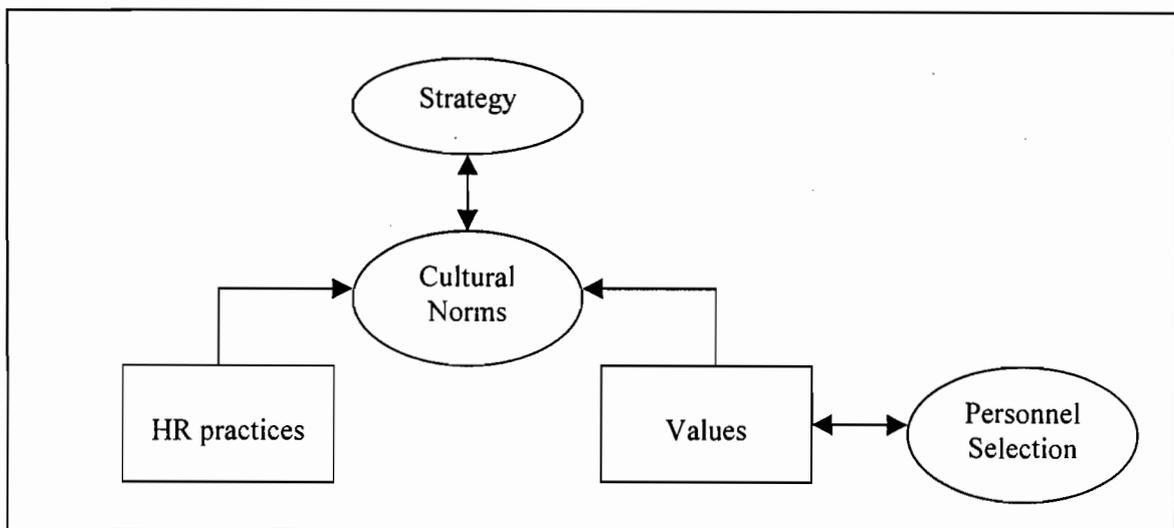


Figure 2: The design of a strategic culture.

Computerized HR Method

1. Strategic assessment of HR practices

Strategy assessment

The first step of the HR method is the assessment of the organization’s strategy. After the presentation of a brief description of the Miles and Snow typology, users must respond to six questions about their organization’s business strategy. These questions were adapted from Miles and Snow’s (1984) descriptions of the two strategies. Each question is presented as a pair of strategic options. One of the options corresponds to a defender strategy while the other corresponds to a prospector strategy. For each question, users must choose one option from the pair which best represents their organization (See Figure 3). The responses to these questions are used to determine

whether the organization follows a defender or prospector strategy.

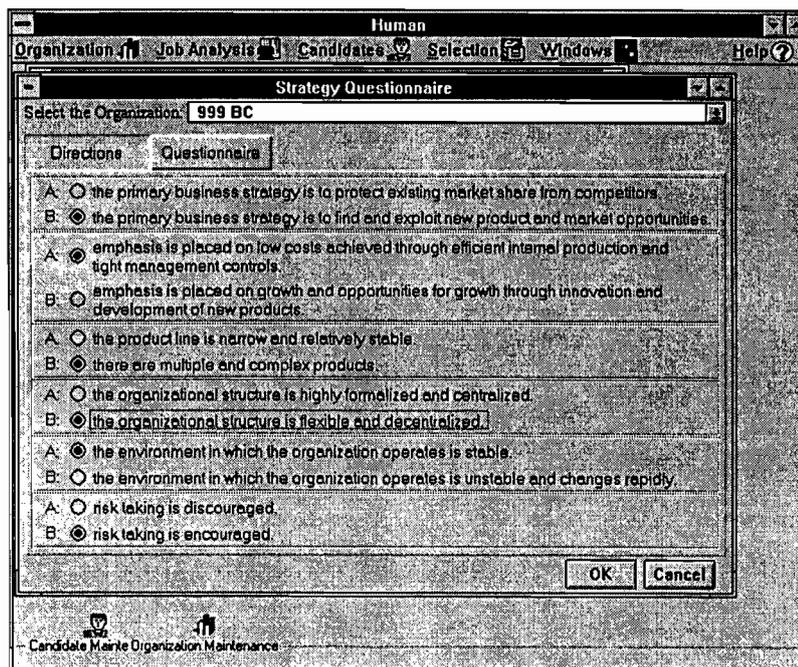


Figure 3: Strategy questionnaire.

Identification of desired norms

The second step of the HR method provides a list of specific norms which support the organization's previously determined business strategy. The norms included are those which O'Reilly (1989) presents as critical norms for innovation. O'Reilly proposes various norms to promote creativity, such as risk taking, rewards for change, and openness as well as norms to promote implementation, such as common goals, autonomy and belief in action. The norms intended to promote innovation are presented as the desired norms for a prospector strategy, while the opposite of these norms are presented as the desired norms for a defender strategy (See Appendix A).

Assessment of HR practices

The third step in the HR method is the assessment of the organization's actual HR practices. Users must respond to four questions each from six categories of HR practices. These categories include the strategic areas identified by Gomez-Mejía et al. (1995) of work flows, staffing, employee separations, performance appraisal, training and development, and compensation. Each of the questions represents strategic HR options at two opposite poles on a continuum, the best option for a defender strategy at

one end and the best for a prospector strategy at the other (See Figure 4). The responses given to these questions allow the computerized tool to create a profile of the organization's actual HR practices.

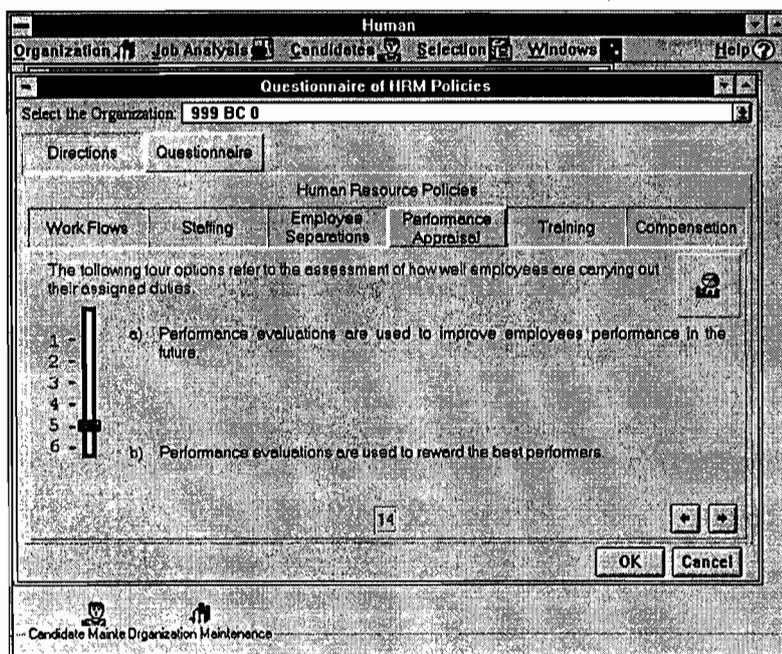


Figure 4: HR practices questionnaire.

Determination of “strategic” alignment of HR practices

The final step in the determination of the strategic alignment of HR practices compares the results of the assessment of actual HR practices to the “ideal” set of HR practices which should promote the cultural norms that best support the organization’s business strategy. Each of the actual HR practices which does not correspond to the “ideal” HR practice is shown in red, while each of the actual HR practices which does correspond is presented in green. The results of this comparison give the user a detailed picture of the organization’s current HR practices and, more importantly, they identify the current HR practices which support the organization’s strategic goals, as well as those which hinder the accomplishment of the strategic goals of the organization.

2. Personnel selection

As mentioned previously, organizational norms are not established solely through HR practices but are also influenced by the values of organizational members. Thus, a personnel selection procedure is included in the computerized HR method which

assesses two types of “fit”: person-job fit and person-organization (P-O) fit. The HR method provides first a step by step guide for determining the person-job fit of candidates and then a test of values is included to identify those candidates who share the values that support the organization’s business strategy.

Assessment of person-job fit

The first step in the determination of person-job fit is the completion of a job analysis in order to identify the knowledge, skills, and abilities (KSAs) required to perform the job in question. Thus, users must complete a job analysis of the specific job for which candidates are being hired. The computerized HR method provides a structured job analysis which asks users to list the ten most important tasks required of the job in question and then to rate the importance of each task to the successful performance of the job. Next, they are asked to rate the usefulness of each of seven different general abilities for the performance of each task (See Figure 5). The abilities include vocabulary, numerical computation, numerical reasoning, spatial abilities, inductive reasoning, analytical reasoning, and clerical abilities. Candidates are then tested to determine which of them has the highest level of the required abilities. The HR method combines the results of the job analysis and the candidates’ abilities tests to determine the candidates who best fit the job.

The screenshot shows a software window titled "Human" with a menu bar containing "Organization", "Job Analysis", "Candidates", "Selection", "Windows", and "Help". The main window is titled "Ability Analysis" and contains the following elements:

- Fields for "Select the organization:" (999 BC 0) and "Select the job:" (323 Curro).
- Instructions: "1.- List the most important tasks required on this job, with a minimum of 5 and a maximum of 10:"
- A list of tasks (Task 1 to Task 10) on the left side, each with a small icon and a plus sign.
- Instructions: "2.- Rate the importance of the task for the successful performance of the job:"
- A dropdown menu for "very important" with a plus sign.
- Instructions: "3.- Rate the usefulness of each ability in the performance of the task:"
- A table with 10 rows corresponding to tasks and 7 columns for abilities. The abilities listed are: Vocabulary, Numerical Computation, Numerical Reasoning, Paper Folding, Inductive Reasoning, Analytical Reasoning, and Clerical.
- Dropdown menus for each ability, with "very useful", "somewhat useful", and "extremely useful" visible.
- "OK" and "Cancel" buttons at the bottom right.

Figure 5: Person-job fit assessment.

Assessment of person-organization (P-O) fit

After assessing candidates' person-job fit, P-O fit is assessed in order to determine which candidates share the desired cultural values. The HR method uses the previous results of the strategy assessment to provide a list of values which support the business strategy of the organization. A subset of values taken from O'Reilly et al.'s (1991) Organizational Culture Profile which have clear relationships to defender and prospector strategies are included in the list (See Appendix B). Candidates are then tested to identify those which share these same values.

Final selection of candidates

The final selection of candidates is determined by a combination of the results of the person-job and P-O fit assessments. A final ranking of candidates based upon those who have both the abilities required of the job and who share the desired values is provided by the computerized HR method.

Conclusion

This paper has presented the theoretical framework and general guidelines for an instrument which, making use of information technology, permits organizations to improve their competitive position through the development of a "strategic" culture. Many of the areas which tend to be studied in a dispersed often independent manner in the literature (i.e., strategy, culture and HR practices), have been presented here within one integrated framework. The computer-based instrument can serve as a human decision support system, as well as training tool that helps practitioners to reflect upon the importance that human resource decisions have for the achievement of their organization's strategic goals.

In any case, it must also be recognized that the current approach may appear to support a mechanistic approach to the design of a "strategic" culture. Nothing is farther from the truth. In the first place, many elements of culture (characteristics and values of the founders, the organization's idiosyncratic history, symbols, rituals, etc. . .) are not included in this computer-based instrument. To the extent which these elements define essential aspects of the organizational culture, the current approach must be understood as incomplete in this respect. Second, the description of the computerized HR method provided may give the impression that culture change is a simple process which only requires the modification of HR practices with careful attention to the practice of

personnel selection. Unfortunately, it is never so simple in practice due to the fact that there exist numerous barriers to change. Culture, by defining which behaviors are appropriate and which are not, serves to reduce the uncertainty of organizational members. As a result, any cultural change brings with it the potential resistance of employees due to the consequent increased uncertainty. This resistance to change is not included in the current HR method. Finally, the strategy typology chosen and the corresponding HR practices represent ideal types which simplify the problems actually faced by organizations in their complicated, dynamic environments.

Despite these limitations, it is believed that the proposed theoretical framework and resulting HR method are useful for practitioners who wish to incorporate in the daily practice of their organizations the empirically based findings that can be found in disperse academic areas.

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APPENDIX A

Norms That Promote Innovation (O'Reilly, 1989)

Norms to Promote Creativity

- 1) Risk Taking
 - freedom to try things and fail
 - acceptance of mistakes
 - allow discussion of "dumb" ideas
 - no punishment for failure
 - challenge the status quo
 - forget the past
 - willingness *not* to focus on short term
 - expectation that innovation is part of your job
 - positive attitudes about change
 - drive to improve
- 2) Rewards for Change
 - ideas are valued
 - respect for beginning ideas
 - build into structure
 - a) budgets
 - b) resources
 - c) time
 - d) opportunities
 - e) tools
 - f) promotions
 - top management attention and support
 - celebration of accomplishments
 - suggestions are implemented
 - encouragement
- 3) Openness
 - open communication and share information
 - listen better
 - open access
 - bright people, strong egos
 - scanning, broad thinking
 - force exposure outside the company
 - move people around
 - encourage lateral thinking
 - adopt the customer's perspective
 - accept criticism
 - don't be too sensitive

- continuous training
- intellectual honesty
- expect and accept conflict
- willingness to consult others

Norms to Promote Implementation

- 1) Common Goals
 - sense of pride in the organization
 - teamwork
 - willingness to share the credit
 - flexibility in jobs, budgets, functional areas
 - sense of ownership
 - eliminate mixed messages
 - manage interdependencies
 - shared vision and a common direction
 - build consensus
 - mutual respect and trust
 - concern for the whole organization
- 2) Autonomy
 - decision making responsibility at lower levels
 - decentralized procedures
 - freedom to act
 - expectation of action
 - belief that *you* can have an impact
 - delegation
 - quick, flexible decision making
 - minimize the bureaucracy
- 3) Belief in Action
 - don't be obsessed with precision
 - emphasis on results
 - meet your commitments
 - anxiety about timeliness
 - value getting things done
 - hard work is expected and appreciated
 - empower people
 - emphasis on quality
 - eagerness to get things done
 - cut through the bureaucracy

APPENDIX B

Strategic Values

Defender Strategy

Stability
Rule oriented
Predictability
Attention to detail
Being precise
Security of employment
Highly organized

Prospector Strategy

Flexibility
Innovative
Quick to take advantage of
opportunities
Risk taking
Autonomy
Team oriented
Results oriented