

**An investigation into the link between culture and strategy
using soft systems methodology and group analysis.**

Part 1 Soft Systems Methodology

Mark Threlfall

Lancaster University

Dan Yearn

Lancaster University

Tim Haslett

Dept of Management

Monash University

Email thaslett@bigpond.net.au

Abstract

This is the first of two papers that examine the capacity of a management consultancy (the Company) to adopt a new team-based business model. The first part of the paper utilises Soft Systems Methodology and the change kaleidoscope to examine the cultural paradigm that pervades the Company. As a result of the investigations derived from the Soft Systems work, the researchers used Belbins' SPI as a method of distinguishing between different personality types and various team roles in order to assess if the consultants were capable of working together in teams. The analysis reported in this paper showed that the firm did not have adequate policies, structures or culture. The analysis reported in the second paper suggested it did not have the appropriate mix of consultants to support a team-based business model.

Introduction

This project was organised as part of an international exchange between Lancaster University Management School (LUMS) in the UK and Monash University in Melbourne, Australia. It was an exercise in applying theory to a real-world Company with business problems, best illustrated by two quotes from Lewin¹ (1946):

“Research that produces nothing but books will not suffice”

“Rational social management therefore proceeds in a spiral of steps each of which is composed of a cycle of planning, action and fact finding about the result of the action”

The Company was founded in 1980s as an IT management consulting company and quickly established a reputation for its IT and project management capabilities. The Company's core business was the provision of management and technology services, across a broad range of industries including banking, defence, government, telecommunications and utilities. For most of its history, the Company has enjoyed spectacular growth. Recently however, increased competition, globalisation, and the rate of change coupled with a global downturn has meant that the Company has seen its profitability shrink. For the first time in the Company's history, there had been retrenchments. The Company decided it needed a new organisational structure to address the changing needs of the market.

Given the complex nature of the problem, it was considered appropriate to use range of methodologies in order to explore the issues, including informal interviews, stakeholder analysis, a cultural web diagram, the people process model, a change kaleidoscope and Soft System Methodology (SSM). Utilising SSM helped to interpret the situation in a more holistic manner, uncovering the interdependencies within the organisation. SSM also shed light on the consequences of prescribing ‘teams based solutions’ within the context of the Company's current capabilities. Belbin's Team Role Self-Perception Inventory (BTRSPI) was used to ‘label’ the different characteristics or traits exhibited by a sample of consultants. This analysis is discussed in the second paper.

¹ Lewin., K. (1946), *Action research and minority problems*, Journal of Social Issues, 2, 34-46

METHODOLOGY

Checkland's Soft System Methodology (SSM)

This methodology is a way of dealing with problem situations in which there are high social, political and human element.

Checkland² considered the methodologies normally employed to deal with well-defined problems ineffective when dealing with problem situations that were ill structured and had a high degree of human activity, and so developed SSM as a response to difficulty in applying the approaches of hard systems thinking to complex business problems.³ During a recent lecture introducing SSM to a group of MBA students at Lancaster University, Checkland expressed the following opinion:

“SSM’s focus was on a situation not a system. (The secondary literature usually gets this wrong!). The approach assumes that conflict was endemic in human affairs-due to different worldviews. An’ accommodation’ requires a version of the problem situation which people with different worldviews can live with” ⁴

Flood and Jackson⁵ agree with an earlier assertion offered by Jackson⁶ that SSM is suited to problem situations where there is a lack of consensus about the goals and objectives amongst the stakeholders. Table 4-2 adapted from Flood and Jackson illustrates where SSM lies in comparison to other systems approaches to problem solving. They also highlight SSM’s use of metaphor, viewing the organisation as a cultural and political organism⁷.

Other authors⁸ had also stated that using SSM affords certain advantages as it:

- Has the ability to solve soft problems where traditional hard techniques have failed.

² Ibid p48

³ Jarvis, C. *BOLA Research Project* - Brunel University, UK.

⁴ Checkland, P., (Jan/Feb2003), Lancaster University Management School MBA, *Managing in Action Elective*, Lancaster University, UK.

⁵ Ibid p39

⁶ Jackson, M.C. Keys, P. (1984) *Towards A System of Systems Methodologies*. Journal of Operations Research Society Vol35, No.6. P473-486. in Sculli, D. Ho, K. K. J. (1994). *Organizational Theory and Soft Systems Methodologies*, The Journal of Management Development, 13, p49

⁷ Flood, R.L., Jackson, M.C. (1991), *Creative Problem Solving Total Systems Intervention*, John Wiley & Sons, p40

⁸ University Of Calgary. Software Engineering Research Network. *Soft Systems Methodology*.

- Takes the social, political and power distribution issues into consideration through the application of cultural stream analysis.
- Supports different viewpoints through rich pictures.
- Can be used for learning in addition to solving problems.
- Can be used in systems where there is an ill-defined situation with no specific goals or objectives.
- Allows for new and imaginative solutions to be discovered.
- Is very useful in the beginning of solving a problem to find out about the problem situation and requirements.

The aim of the current research was to assess if the host organisation had the corporate capability and change capacity to move to a new business model; one of working in teams to provide solutions based work for clients. In an attempt to illustrate how the process of investigation progressed and how the models used were relevant to this enquiry process, the researchers offer the following diagram Figure 2-1, which maps the progression of the argument in pictorial form and makes explicit how the models relate to each other.

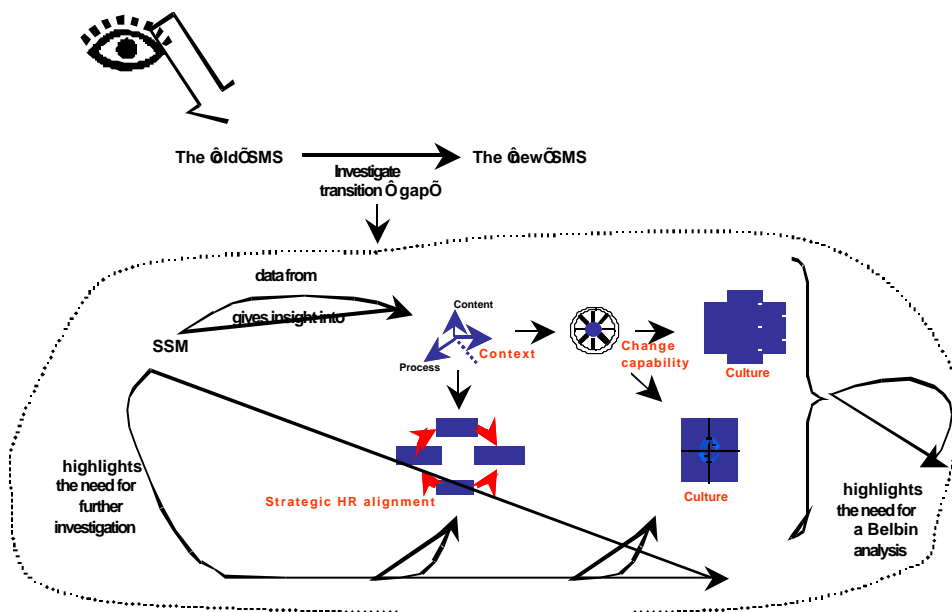


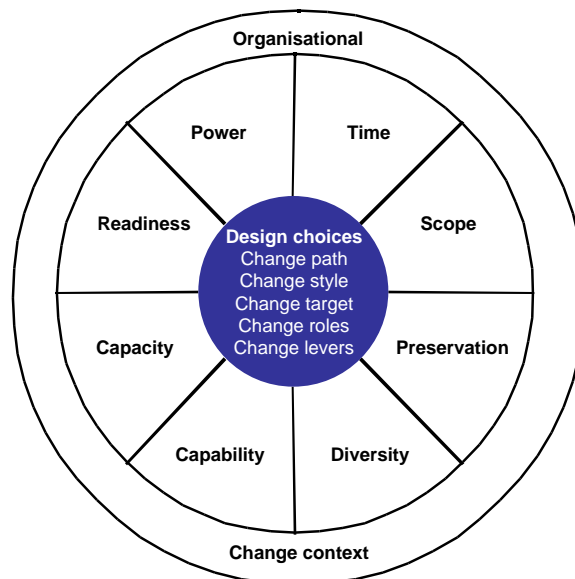
Figure 1 Rich picture for the context of the Company's change programme

Figure 1 shows in a rich picture format the researchers observing the organisation, attempting

to uncover the gap that may be present should the company move to team based solutions. The data derived via the use of SSM was overlaid onto the tools used in the investigation (change kaleidoscope, cultural web and people process model) to make explicit the company's capabilities. Firstly, the researchers investigated the context of the change process with the aid of the change kaleidoscope. This highlighted the need for further investigation into the capabilities of the company specifically relating to its culture, stakeholders, and strategic support systems. The researchers found that the Company's strong individualistic culture had the potential to make the transition to team based solutions problematic. This was confirmed by the results of the Belbin analysis, reported in the second paper, which indicated that a significant sample of consultants had highly individualistic personalities.

Change Kaleidoscope

Figure 2 The change kaleidoscope⁹



The outer ring of the change kaleidoscope relates to the organisation's strategic context; the inner ring was concerned with the design of the change process. These elements were decided upon by the Company before the researchers started their investigation. The middle ring (set of segments) deals with the contextual aspects of the organisational change and focuses upon the company's culture, competencies and current situation. This section was populated with data generated from the SSM work. Each of the segments investigates if the

company can make the transition to teams in relation to the topic covered by that segment. A examination of each of the segments concluded:

Time

The Company has recently seen its performance suffer and as a result, the company does not had the luxury of time to bring about effective changes to boost business performance.

Scope

As the change programme affected the whole of the organisation, the change process was one of transformation¹⁰. The proposed change in the business model would be implemented company-wide and entailed a method of working that the Company has little experience with.

Preservation

The Company was very reluctant to change any aspects relating to their three core values, (add value, maintain unity, an enhance reputation). These core values were devised by the founder were one of the key aspects of the Company's identity. Adherence to these values was required by all employees and was reinforced via performance measures.

Diversity

There were sub-cultures¹¹ within the organisation. It was found that consultants working on client sites had different attitudes to consultants working in Company offices and both types of consultants were different from office administrative staff, IT support staff and finance staff.

Capability

The Company's experience of internal change was minimal. Although many consultants had change management as a skill set listed on their CVs and were of the opinion that they were skilled in the art of change management, they had little personal experience of being the victim of change. Fellow consultants felt they had the right and the need to question every statement made by other consultants. This aspect of organisational life within the Company

¹⁰ Balogun, J. Hope-Hailey, V. *Exploring Strategic Change*. Prentice Hall, Harlow. P66

¹¹ Meyerson, D. Martin, J (1987) *Cultural change: an integration of three different views*. Journal of Management Studies, 24,

was a major factor that contributed to the individualistic culture. Schein¹² notes that individualistic cultures result in destructive behaviours, notably:

- *High levels of interrupting, confrontation, and debate*
- *Excessive emotionalism about proposed courses of action*
- *Great frustration over the difficulty of getting a point of view across*
- *A sense that every member of the group wants to win all the time*

Capacity

In the past consultants had been selected for projects based on their technical availability alone. Little attempt was made to ascertain if the consultant had the necessary skill set to complement the others working on the project.

Readiness for change

The secondary data supported the view that the staff within the Company acknowledged there was a need for change within the business. However when questioned, the majority consultants had adopted a '*wait and see*' attitude to the whole process.

Power

The company took great pride in its flat hierarchy with only three layers from the CEO to new consultants joining the company. However, this lack of clearly defined layers or grades created extensive problems when consultants tried to work together in a team as each consultant tried to take the lead on a project.

The People Process Model¹³

This model can be useful in assessing the link between employee behaviour and the business strategy and aids attempts to measure a companies' ability to change. It can highlight human resource processes that drive employee behaviour by focusing on how the short-term goals and long-term aims of the company were aligned with the business strategy.

¹² Schein, E. (1992) *Organizational Culture and Leadership (Second Edition)*, Jossey-Bass. p7-8.
¹³

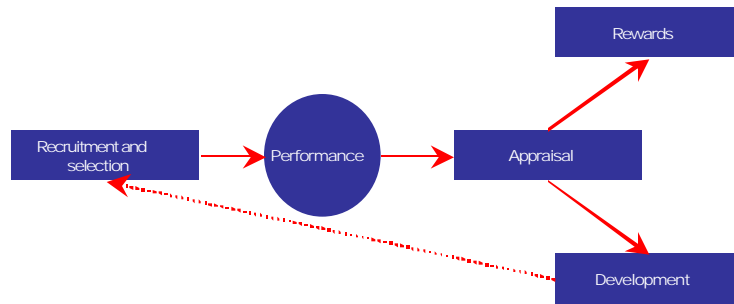
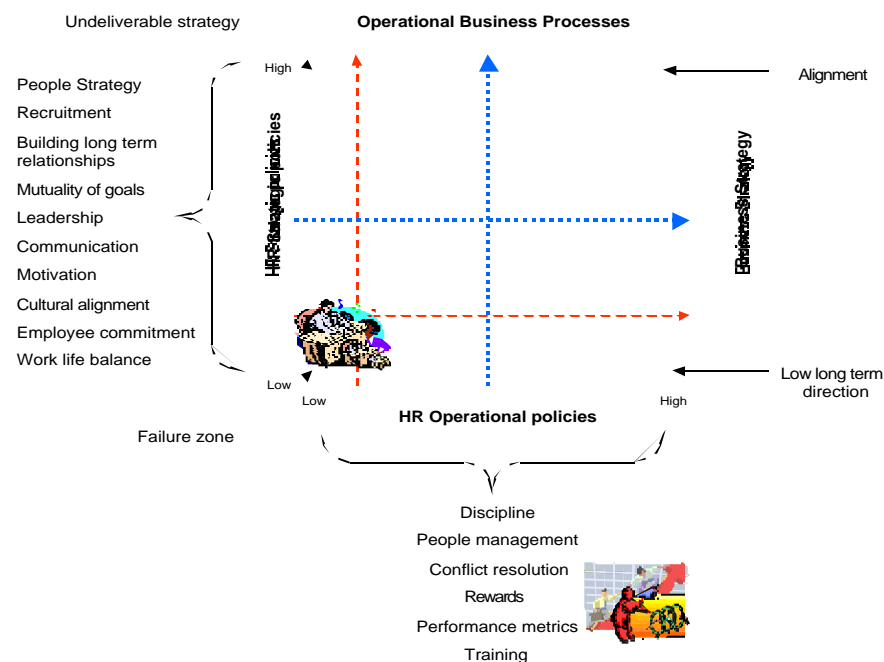


Figure 3 The human resource cycle taken from Fombrun et al (Ref)

This level of analysis was carried out by the researchers because in their initial stages of enquiry, gaps became apparent in the vertical and horizontal linkages that should have supported the Company's business strategy.

Vertical and horizontal linkages were examined by Balogun and Hope Hailey (1999). The work was devised to encapsulate the people process model of Gratton and the human resource cycle in an attempt to make explicit the situation within the Company .

Figure 3 Assessment of alignment between HR policies and the business strategy



Recruitment policy

For the whole of the company there was only one individual available with any substantive

training relating to formal recruitment processes. Usually, experienced consultants would determine how well potential recruits would fit into the existing culture and value system within the Company. One measure used was the question ‘*would I be comfortable spending a weekend away with this individual?*’ Beyond this, few clear guidelines existed. Without clear guidelines, the consultants refer back to the three core company values for guidance and ultimately hired people who were white males, middle-aged, married with children, and conservative in nature.

Training and development

The training and development on offer within the Company was based on the following statement “*The fundamental responsibility for your professional development lies with you*”

Performance Reviews

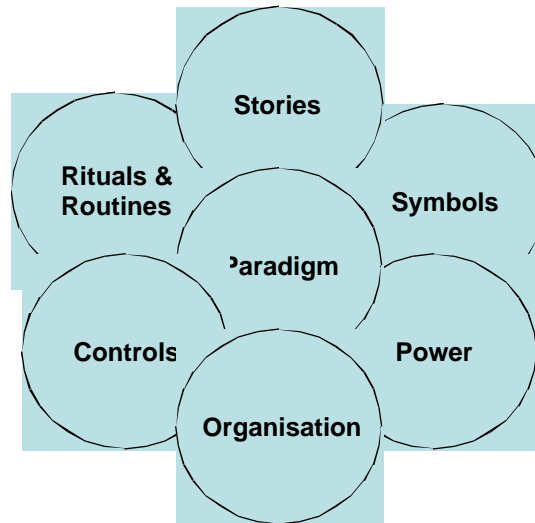
Performance measures were driven by the three core values of the Company: add value, maintain unity, and enhance reputation. These three elements form the template against which individual consultants were measured.

Long term people vision

As there was little hierarchy in the Company, there was no defined career path available and there was an expectation that consultants would “move on” having contributed to the firm’s success.

The Cultural Web

Figure 4 The cultural web



Balogun and Hope Hailey described the cultural web as a tool to aid in examination of an organisation's culture¹⁴ and the deeper level assumptions held by the people within the organisation. It was these deeply held beliefs that collectively had contributed to the creation of an individualistic culture within the Company. Figure 4 is a depiction of this Cultural Web.

Stories

The researchers collected many stories relating to the founder of the Company, which had gone down in company folk law and had helped create the culture of the Company. Schein¹⁵ commented that the genesis of an organisation's culture was greatly influenced by the founders' assumptions and was fundamental to its creation.

Symbols

A central symbol was embedded in the terminology for the office space that consultants occupy when waiting for a new assignment. This space was known as "the bench" and whilst sitting on the bench consultants were not billing and were seen as an expense. One consultant stated: *"Consultants that were on the bench for an extended period of time must be there for*

¹⁴ Balogun, J. Hope Hailey, V. *Exploring Strategic Change*. Prentice Hall. Harlow. P230

a reason. I think they must be poor at their job so no one wants to hire them.”

Power Structures

The Company had offices spread out across Australia, each of which had a significant level of autonomy. This led to the formulation of power bases around perceived areas of local and individual expertise. These individuals had power that was disproportionate to their position in terms of direct access to the CEO.

Organisational structure

One of the first aspects of structure within the organisation that the researchers uncovered was the flat hierarchy. A quote from a company publication, ‘So you want to be a Company Consultant’ illustrates this point:

“ the Company Consulting Group Limited prides itself on having an open, non-hierarchical structure where trust was important. There is? a minimum of supervision. People are expected to define and develop their own project, and use their own initiative to solve problems as part of their project responsibilities.”

In addition, each region had been able to develop independently and non-standard working practices were endemic within the Company. While useful in the past, this aspect of independence was now causing major problems as the company tries to implement a company wide change programme to a fragmented group of offices.

Control Systems

All the control systems within the Company were aligned to the individual consultants. All the data collected relating to utilisation rates, profit margin and contribution, and billing rates were done so on each individual consultant. This method of appraising reinforces the individualistic mindset of the consultants, as there is no incentive to display any other behaviour than that of working as an individual.

Routines and rituals

Rituals were those activities that reinforce the routines and collectively illustrate an insight into organisational life. The key 'rituals' of this consulting firm were:

Billing

The major consideration for a consultants working for the Company was the need to bill.

"The obvious way to add value is to bill 100 per cent...our people usually add value AND bill 100 per cent, rather than as an alternative."

The routine of isolated work

Consultants were often placed into a client site for up to two years, creating problems when they returned to the parent organisation where they often did not know their fellow consultants, particularly if there had been staff turn over.

Company benefits

Lavish Christmas parties were thrown and became a highly anticipated event in the social calendar. Annual corporate games were held with staff competing against other companies from the local Melbourne area. There was a five and ten year club for staff with long service, where the company flew the members to a weekend retreat. All of these activities had been curtailed with the new focus on the economic bottom line.

The Paradigm

Once the surrounding areas of the cultural web had been investigated it was possible to complete the paradigm. This paradigm is 'the set of assumptions about the organization which is held in common and taken for granted in the organization.'¹⁶ It allowed the researchers to ask a number of questions of the organisation namely:

- How has the existing culture contributed to the formation of the organisation's competencies; will this aid or hinder the move to team based solutions?
- Given the existing culture uncovered by the cultural web, has the Company the capability to move to team based solutions?

Founders' influence: The founders' influence is seen today within the Company. His presence permeates the organisation and has been translated into many areas of the company especially the selection and recruitment practices and as Schein¹⁷ has hypothesised, is 'intricately intertwined' with the creation of the organisational culture.

'Billing is king': This perception that value creation for the company can only be expressed in dollar value has had an effect on the consultants and the organisation. Consultants now feel the pressure of retrenchment when not billing and the company, due to falling market share and profitability, has refocused on the economic bottom line.

Flat hierarchy: With only three levels of hierarchy between the CEO and new consultants entering the company, this flat structure underpins the problematic feature of organisational life within the Company. The founder's espoused view was that: *"Ask a group of more than about seven people to do something, and someone will take charge. (If they don't, the job won't get done). Whoever was in charge for whatever period of time was ceded power by the others in the interests of making progress."*

The flat hierarchy directly contributed to the problems witnessed when the Company consultants tried to work in teams.

Questioning culture: Adding further to the problems associated with the flat hierarchy, was the need to question other consultants regarding ideas or proposals. The founder, who in relaying his viewpoint on organisational life within the Company stated the following: *"(the Company was) a place where people were expected to stand up for themselves and were encouraged to speak out openly and honestly without fear of recrimination"*

Erosion of the psychological contract: From the recent retrenchments to the cancellation of the annual corporate games, cost reduction exercises had had the effect of eroding the bond between worker and the company.

The "Company people can do anything" attitude: The Company in the past has tendered for projects that were outside its expertise, with some disastrous results.

Misalignments of HR policies: The Company's HR policies were totally aligned with the

¹⁶Balogun, J. Hope Hailey, V. *Exploring Strategic Change*. Prentice Hall. Harlow. P231

individual and there was no way of determining how consultants working in a team add value to the organisation. This misalignment of HR policies with the future business strategy leaves the consultants with no indication of how their behaviour should support the aim to move to team working.

Lacking diversity: Company recruitment policies (or lack of same) have resulted in a distinct lack of diversity within the organisation. Like-minded consultants were hired to fit the company values and contribute and maintain the existing individualistic culture.

Conclusion of “Culture Identification” section.

This analysis of the culture suggests:

- Currently within the Company all the systems and policies supported highly individualistic methods of working. This was illustrated in such areas as the selection and recruitment practices, business metrics, key performance indicators, and reward systems that focus on the individual’s contribution to the organisation.
- The founder’s influence has had a huge effect on the creation of an individualistic culture within the Company
- Consultants working extended periods of time, up to two to three years, away from the parent organisation, reinforced an individualistic method of working.
- The norm of having a questioning culture has led to individual defence mechanisms being built up by the consultants, as they constantly had to defend themselves and their assertions from rigorous testing by fellow consultants.
- This has led to a “I will do it my way” approach. This, in turn, led to disputes and re-working of reports by fellow consultants.

The evidence suggests that the Company did not have the capability to move to team based work given its existing structures. There appeared to be a misalignment in the organisational cultural paradigm with what was required for effective team working.

The identification of a cultural bias for individualistic behaviour suggested that it would be

necessary for the Company to change its culture, policies and structures. The second section of this research sought to identify whether this would be sufficient or whether there would be need to be significant change in the consultants themselves. It followed that an examination of the individual attributes within the Company would enable an assessment to be made as to whether the organisation has the internal capability to move to team based working.

Bibliography

Balogun, J. Hope Hailey, V. *Exploring Strategic Change*. Prentice Hall. Harlow.

Bulow, I. von (1989). *The bounding of a problem situation and the concept of a system's boundary in soft systems methodology*, Journal of Applied Systems Analysis, 16, p35-41

Checkland, P., (Jan/Feb2003), Lancaster University Management School MBA, *Managing in Action Elective*, Lancaster University, UK.

Flood, R.L., Jackson, M.C. (1991), *Creative Problem Solving Total Systems Intervention*, John Wiley & Sons, p40

Jarvis, C. *BOLA Research Project* - Brunel University, UK

Jackson, M.C. Keys, P. (1984) *Towards A System of Systems Methodologies*. Journal of Operations Research Society Vol35, No.6. P473-486.

Lewin., K. (1946), *Action research and minority problems*, Journal of Social Issues, 2, 34-46.

Meyerson, D. Martin, J (1987) *Cultural change: an integration of three different views*. Journal of Management Studies, 24, p623-647.

Sculli, D. Ho, K. K. J. (1994). *Organizational Theory and Soft Systems Methodologies*, The Journal of Management Development, 13, p49

Schein, E. (1992) *Organizational Culture and Leadership (Second Edition)*, Jossey-Bass.

Schein, E. (1992), *Organizational Culture and Leadership (Second Edition)*, Jossey-Bass, Preface XI

Websites

University Of Calgary. Software Engineering Research Network. *Soft Systems Methodology*.
<http://sern.ucalgary.ca/~bowen/613/report.p33-34>

<http://www.the Companymt.com>