CULTURE, LEADERSHIP AND STRATEGY

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Part 1

Right. What I want to do today, in the next forty-five minutes, is to discuss some issues concerned with strategy, leadership and culture. And as Jonathan said, this is my sort of main area of research. It's very important that you do understand that, when academics are talking about their own particular areas of research, they go quite ballistic. They go off on their own hobby horse, and it's very difficult for students, to sometimes, keep up with them. So, I do apologise, and if it's me or it's future lecturers, please make sure you put your hand up and say "What do you mean, Simon?". Just put your hand up, and ask a question as we go through it. Because if not, whether it's me or other professors, you will find they assume that you understand exactly what they're saying. And the fact is that nine out of ten students probably won't understand exactly what they're saying. So it's not just you, or you. It's nine other students who also probably don't understand at all. Ninety percent of here, will miss some of the important things that I'm going to say. So put your hand up, yeah, and just say, "What do you mean?", "What is that?","I don't understand". Because in the UK, it is true that we do not understand that there's any hierarchy here. We are all equal. We are all seekers after truth. "Education is the most important weapon to change the world". Who said that? "Education is the most important weapon to change the world." Nelson Mandela said that. But you aren't being educated if you don't understand. So hand up if there is anything that you don't understand.

Part 2

I'm going to give you the lecture as I would give it to my own master's students. When we are talking, I'm sorry, so now I'll dim the lights so we can see what's going on. OK. Here we have the two most important people that have affected the research in leadership over the last 25 or 30 years. On the left hand side, we see a man who's from Holland. His name is, what is that? Gert Hofstede, or Gert Hofstede (pronunciation differ). Doesn't really matter. There he is. He wrote this very important book originally back in 1980 called *Culture's Consequences*. You can get more recent editions of that book. I would strongly recommend, anyone interested in this subject should get the book. You can buy it for about 50 pence on Amazon and it's well worth having as your bedtime reading. Well worth having because it will certainly send you fast asleep. But it's a very interesting book as well, so do be aware of this man, Gert Hofstede. We'll return to him in a moment. And then secondly, um, Bob House. Bob House is an American, not a European, and he is a very, very charismatic individual. Um, as you can see, he is almost like a cowboy there. He started off working with Ford Motor Company as a management trainee, and finished up as the professor, the distinguished professor of Management at

the Wharton School in the University of Pennsylvania. So those two, those two books or err, yeh those 2 books are important sources of what I am going to talk about today.

Culture, what do we mean by 'culture'? We all have a surface understanding of what culture is just by seeing, by looking, by observing other people, and how they are different to us. But in academic speak we have at least two,in fact, we have, one of my PhD student found 149 different definitions of culture. So often culture actually is like a waste bin. In academic terms, it's like a waste bin in which you just put the things you don't quite understand, oh put it in the culture box, leave it there. So it's very important to have some clarity about the concept, and if you are writing anything about the notion of culture, we have to begin with definitions therefore, because as we all have so many different views of the topic, we need to try to get some commonality to begin with. And one view is that organisational culture, according to Hofstede, is, and I quote, "the collective programming of the mind that distinguishes one, or members of one organisation from another". Highlight "programming of the mind". Now we've all worked in an organisation here, in some organisation, a school, or a university, or a firm. Do you think your mind has been programmed? I'd be a little bit disturbed if you had been programmed, honestly. So I don't think, or I hope, that Hofstede isn't trying to be literal. Although, when you speak to him, he tends to really believe that we are programmed. Programmed in so far, as our actions, our actions, in companies, or in schools, or in universities, conform to what would be expected if you were being programmed. So as Jonathan said right at the beginning, "Could you please calm down and be quiet". And we were all perfectly quiet. You followed Jonathan's programming in our actions, if not in our wishes. So is culture more to do with just actions in the social world, or is it something else? The second definition; "a set of shared, taken for granted, implicit assumptions that a group holds", and that determines how it perceives, or how it thinks about or reacts to its environment. In other words the second definition is much more internal, social psychological definition in some ways. It's about assumptions rather than about, rather than about values and behaviours perhaps.

Part 3

As far as we're concerned, most research would tend towards acceptance in the academic world at the moment, tend towards acceptance of the Hofstede approach . The Schein approach is really back from the 1970's and early 80's, and the Hofstede approach is more popular now. But in any academic lecture we have to look at all of the options and,if we want to look at the notion of culture, we need to place Hofstede in his approach, in terms of the potential alternatives. So for Hofstede, culture is a holistic notion by its nature. It covers much of what we understand and see.

On the other hand, we might say that culture doesn't cover most things in our lives at the societal level or at the cultural, organisational, social level. For example, in the UK, we do not find that we have one, I would suggest, we do not find that we have one dominant culture ruling all. In the UK, we have at least differences in culture between England and (answer from students), and (students), and (students). Yeah, England and

Wales and Scotland and Northern Ireland. We have different cultures. It's not one dominant culture. And then at the level below that as far as I am concerned, I have a nice little farm down in Devon on the borders with Cornwall, I would go down and say the English culture isn't the same down in Cornwall, it's almost like a separate country. And the level below that if you look where I used to work in Glasgow. Within Glasgow we have very very strong Jewish community and Muslim community and the culture is rather different. They are not the same, are they? So it can be, so although Hofstede said it's holistic, we might say no it's not. There's lots of different sub-cultures, and they're all competing, or they're all existing at least, and we'd remiss if we ignored that difference. So maybe Hofstede isn't correct.

Secondly, the main causal influence of culture, of culture, for Hofstede, are long-range historical factors. So for Hofstede, for example, he suggests that the influence of the Vikings and the Romans and the Normans upon people in the UK have been very important in determining how, what our culture is like. Well you could say "Well that's one view" But the alternative view is that it's got very little to do with that. The culture is much more to do with what we as individuals feel about the world, because we are not just ciphers for these historical trends. We can interact with them and debate against them and reject them. I happened to be, my name as Simon Booth. So my historical roots, I'm a Viking, a Viking, a Viking. So I was, I came here from Denmark with Hengist and Horsa into Liverpool in the 9th century. That means nothing to me at all. Much more important maybe is my mind set, which is much more than that.

Thirdly, Hofstede, thinks culture is very, very difficult to change. Very difficult to change. The alternative view is that it's relatively easy to change. Look, for example, at international companies. Look at the major UK, chief executives in the UK, and they aren't all British, and they don't all reflect British society or culture, if there is such a thing. Indeed some companies such as Hewlett Packard, make a virtue out of a notion of global, global management training. They want a global culture, not one based upon any sort of society, or any religion, or anything else. They want to create something very different. And they seem to be as a company, fairly successful as the biggest computer company, company in the world.

And then the focus, so for Hofstede, the focus of identifying and measuring culture is in the values that people claim to uphold and in their practices; how they actually act. That's perfectly reasonable. But there is an alternative approach and that could be, for example, that you look at the attributes of individuals, in other words, we don't ask you just what you, what your values are, and what your actions are. We get other people to assess you, so it's more objective, and that would be therefore the perceived attributes that you are showing as far as other people are concerned. So rather than coming from the individual, what are my values and my practices, we say how do other people perceive your, you, in terms of your attributes. So it's a very different way of looking at the, at the notion of culture.

So this debate between the Hofstede approach and other potential approaches is a live debate. The point about this therefore is that there is no one right correct answer to anything in culture. All of us have to look at what the major literature says, like

Hofstede, and then we have to make a judgement, a reasoned judgement, as to where we are going to stand, and how we are going to defend our position within that literature, because I said there is no right or wrong answer.

Part 4

 In any academic world, what we are looking at first of all is frameworks for analysis, frameworks for analysis. Why? We want frameworks so that students, or all of us, can have a fairly easy route or map, or map whereby we can understand things. So everything I have said so far may be very confusing, because there is no right or wrong answers. But we still need a route map for navigation, yeh, so we can make sense of the world. So let's just agree upon this as a working approach and framework. First of all, culture resides, is seen in other words, in the decisions, the rituals, the symbols that organisations like universities show to the world. So the University of Reading in some ways, the most potent symbol of the University of Reading is the mace of the university, the mace. Why? Because that represents the authority of the university given by Parliament to the leaders of the university. And it's over the mace when you finally, in a year's time, in December 2011, when you graduate, you go up the stairs and you shake the Vice Chancellor by the hand over the mace, the symbol of authority of the university.

So symbols, yes, are, you know, culture resides in the symbols and the rituals such as graduation, but also in the decisions of each university. So this university believes and practises Fair Trade, that's why we pay so much for our sandwiches and coffees and so on, yeah? Fair Trade. We only engage with Fair Trade suppliers. It's part of the culture of the University, it's a decision of the university.

Second, culture resides in behaviours, in the accepted ways of behaving that we tend to agree upon tacitly if not, if not actively, and those can be observed by researchers. So both practices and behaviours, we, as researchers, can observe them and therefore, measure them. So these are key ways of understanding, measuring, understanding culture. The third – values, how do we measure that? Because values are things inside us, there our assumptive worlds, our own understandings of how we think we want to behave even though we don't always behave in that way. So it's not as easy to measure, in fact it may be impossible to measure, objectively, the value's element that Hofstede talks about.

Part 5

OK, so for Hofstede, by measuring values, behaviours and practices, he believes we can identify different national or societal cultures. And these are stable over time, they're difficult to change, and er, and they characterise the differences between China and Vietnam, and China and Thailand, and England and Thailand. And there's been many studies by followers of Hostede into, into this difference of societal cultures. I won't talk

about his societal aspects today because you'll be given lectures on that by the colleagues later on when you start your degree, probably. But at the organisational level, it is important to be aware, and, many people don't talk about the organisational level of Hofstede's work, but at the organisational level, the research suggests that these six practice factors account for 73 percent of the variance, so they account for the vast majority of organisational culture ,at the organisational level. A process versus results orientation - what does that mean? Basically it means those organisations that are, on the one hand, bureaucratic, on the other hand goal-oriented: a huge difference in approach.

So a university essentially is a bureaucratic organisation, rule-based organisation. Of course it wants to get the best results, but if you had a purely result-based, a goal-based organisation as a university, we wouldn't be called the University of Reading, we would be called the Kaplan institute for success. Kaplan - anyone heard of Kaplan? Kaplan is an organisation which guarantees you will have success. We don't think that's possible to guarantee. Secondly, employee versus job orientation. Way of understanding culture is - is your organisation concerned only with you as a person at work and in your job, and in your job, or is it concerned with you as a member of your own private family? So, a very big difference. In Japan, most organisations are concerned with you as a total individual, work and home. In the UK, it's split. Most organisations tend to be concerned only with you as a person at work, and not about your home life at all. A very big difference.

Parochial versus professional. A professional, professional orientation is where the organisation is highly professionally qualified, and those individuals feel an obligation towards their professional organisation as much as their work organisation. So if I'm a pharmacist, I have just as much obligation towards my pharmacy pharmacist organisation trade association, as to my employer. The opposite is the, the employees of the organisation have no other links at all outside the organisation,they're only concerned about the organisation, a parochial approach. A very different system, a very different culture.

Fourthly, open versus closed, so an open organisation is, open organisation is one in which individuals freely communicate across organisational boundaries, as opposed to a closed organisation in which individuals never cross boundaries, they just look inward.

Fifth, loose versus tight control. Loose control in an organisation - where you do not have to sign for everything that you do, where you have discretion. Tight control, where everything is top down obviously. Very different sort of organisation. And then finally, finally, normative versus pragmatic. If it's normative, then you are following the ideas and suggestions and ways of behaving that come from the top. If it's pragmatic, then you may have norms, but you'll be adjusting those to the real world rather than just following them blindly.

Part 6

So those factors account for the majority of understanding of the difference of cultures between organisations, and within organisations. But there are also three other factors. Values rather than practices, and don't forget these are much more difficult to measure. Hofstede believes these are significant as well; security needs, which means, eh, the willingness to deal with risk and uncertainty, in the organisation. So look at banks - banks up until 2008, if any of you noticed the eh singer song, singing and dancing power point at the beginning, banks had gone through a very difficult period in the last two or three years. Part of that may be because of differences within the organisations over the, over how culturally to deal with uncertainy and risk. So security needs an uncertainty avoidance, and the favourability towards risk is an important value factor. Work central, centrality. How important is work to your life, is linked for Hofstede to masculinity. The centre of life for many people, or for many males is work, rather than the home. And then thirdly, power distance. How do we feel about high differences in terms of power between members of the organisation. So does your, do you accept that your manager has the right to hire and fire you without any debate, without any appeal? Or would you expect that you would have the chance to make a case to someone higher than your own direct manager? How much power distance is there in the organisation is therefore an important factor, but also for the individual, important, in terms of their view of whether they want to work in the organisation.

So culture, you may see as a, as a very broad concept, but it has a vital implication for organisations, because it will influence the structure of the organisation, the leadership of the organisation, the control systems of the organisations. So we need to be aware of it.

Now we come, we'll leave Hofstede there. We'll mention as we, later on, and I'll come on to the GLOBE study. So the GLOBE study began in 1990, uh, 1992, and this is the theoretical model of the GLOBE study. The GLOBE study stands for Global Leadership and Organisational Behaviour Effectiveness, G-L-O-B-E. Much of its ideas derived from Hofstede's, Hofstede's original ideas, but were developed by Bob House, and so this model is the model which all of us involved in the GLOBE study (and I was the UK coordinator for this study) all of us accepted. So let's just spend a minute looking at this model because it's a picture which paints, which is worthwhile thinking about. We start with cultural, societal culture. Societal culture norms and practices- we start with that.

Societal culture norms and practices influence organisations in terms of their structure. This is the theory. It also influences individual leaders in terms of their attributes and behaviours. It also influences the relationship between the strategic contingencies, in other words, the external business environment, and the organisation. It also influences what is called the C-E-L-T, the Culturally Endorsed Implicit Leadership Theories. This is what, what we in one culture are willing to accept in terms of our traditional notions of leadership. It's what we are brought up to believe at the school - The Culturally Endorsed Implicit Theories. So societal culture will influence that quite clearly.

Then we have the organ.., so that's the society, then we have the organisation. In the organisation, we would expect the organisation to influence the leader of that organisation. Why? Because like any organisation, it chooses its leader. Normally it doesn't choose it. So we choose the leader, that reflects normally, our organisational culture and practices. That's what we expect, but also we do find that the leader also does affect the organisation, so once they've taken over an organisation, the chief executive comes in, like now in Henley Business School, we've just got a brand new dean for the Business School. We chose him, and therefore we culturally think he's appropriate. But I have no doubt, no doubt, that he will also influence us in the organisation. So it's a two-way, eh, two-way relationship, interaction.

Societal culture also does affect that leader, and also the strategic contingencies, the business environment will affect that leader. So the leader has three major influences upon him or her. And these influences will then lead to either leadership acceptance, if the leader is, is reflecting the culturally implicit leadership theories, then there will be , expected to be a leadership acceptance. And we would expect that if he is appropriately relating the society with the organisation, with the contingencies, there would be effective leadership. Very simple? Yeah. OK, that's the model of how we believe the world works.

Part 7

So for the, this GLOBE study, was the study of 62 societies around the world. And after that we did a further detailed study on 25 societies. And the first four dimensions that we were looking at, really derived from Hofstede. You don't need to take a lot notice of this, except to say that, you know, that they are from Hofstede. But then the GLOBE study went beyond the Hofstede work by including these other dimensions: a humane orientation, assertiveness orientation, future, and family collectivism, and performance orientation, which was not part of the original Hofstede study. What we find in this study, if we look at English managers of English organisations, is rather interesting. Because we split the response into how the organisation is now, and how it is now, yeah? This is how the managers feel how the organisation is, so power distance, 4.61 out of 7. Fairly high power distance. How they think it ought to be, how does the organisation, what should the organisation be like? Well, power distance, the managers think the organisation ought to be lower in power distance, only 3.41. A difference of 1.2 on a 7-point scale is the biggest difference we find by the survey of English managers, senior managers in organisations. They want lower power distance. They want a more equitable organisation. That's strange, isn't it, because these are people with power; and they want less of it. Interesting finding.

Secondly, uncertainty avoidance, aversion to risk. There is a quite high uncertainty avoidance , in other words they want, at the moment, they see it's fairly secure organisation. But should be, looking at the organisations, it should be that they say no, we want less security, we want more uncertainty. In other words, we are willing, we are willing to work with more risk in the organisation. Interesting finding.

Assertiveness - 3.82 medium. But they actually would like a little bit more assertiveness. They don't want people in the organisation just to follow the leader, they want individuals to be more assertive. Powerful lesson for you, in a year's time going into the organisation, don't just say yes sir; put your own view forward, yeah? That's what the senior managers expect, would hope rather.

Humane - humane orientation, looking after each other, being caring and sharing. What do we find? They want a more humane organisation. So yes, please go to the karaoke evening. We want to share, look after each other, and have a good time. Societal collectivism, this isn't, doesn't mean, no, do we have lots of state-owned enterprises. This means is there, is there a view that that we have benefits from a more collectivist approach at the society level. If, if you've got a highly market-oriented economy, very little collectivism, then you have a lot of fragmentation and that can be costly. And what we see here, quite interestingly, is that they want more collectivism at the societal level in England. This is very much a hangover from the Thatcherite revolution in the UK. Interesting.

Future orientation - as is 4.75, which is not low, it 's medium high, but they want organisations, their organisations - and these included banks and building societies - they want more of future orientation, for longer term orientation rather than just performing for today.

And gender egalitarianism - this is equality of the sexes. What we find here is fairly low, 3.4. Look at that, they want 5.1, an increase of 1.67. That's powerful, isn't it? Basically females are not being treated equally in English organisations. That's what that's saying, and it ought to change. Family collectivism- look at that, 1.8 change, between 'as is' and 'should be' in an organisation. They want organisations to be much more concerned with family collectivism, making sure that the employee is happy at home as at work, including the family. And then performance orientation, which was not looked at by Hofstede at all, what do we find here? Medium, medium to high performance as is now in the organisation, but the biggest increase; that English senior managers believe that we should be far more performance oriented. 6.31, that's what we would call in our GLOBE research meetings a universal - 6.31 out of 7. And we are talking as I say about banks and building societies; who you would've thought would be very performance oriented, yeah? Doesn't seem to be the case, not enough anyway.

So some powerful figures there that have come to us through the data analysis. So what it suggests, as I said, is that we need to push down, we need to push down, reduce power distance. We need to have less control, less rule-based decision-making. Implications are that we should be more assertive about goals and methods and how to get people to achieve. Implication is that we should treat people fairly; we don't do it that well at the moment. That we should seek to create mutually beneficial ties between the organisation and society. Some organisations do, like, you know, the headquarter of Microsoft, just down the road, they do, try to do that, and they also try to do something in terms of family collectivism and wellbeing, but most don't.

Part 8

A stronger future orientation, tackling inequality, and supporting the family. So these implications, yeah, very important. So that's the culture of the organisation. Then we looked, we had 112 questions, which were asking the middle-level managers, that had been in the company for 15-20 years, to explain what they felt was most important in terms of leadership. And what we found was that there were four models of leadership that they could recognise. And the first one was this one, which is most important. Why? Because it accounted for the largest amount - only 17 percent - but the largest amount of variance in the study. And this could be called an inspirational coach-approach to leadership. The characteristics of the inspirational coach were, they were morale boosters, they boosted morale of people in their office. They built confidence amongst their employees, they were encouraging. So these were characteristics that they could see by the actions, remember the actions, the behaviours, the practices, that Hofstede talked about. These can be identified and measured. But also there were personal qualities. So honesty and intelligence. These can be measured, but they are much more deep-seated perhaps, they're not just practices. You would suggest that either a person is honest or is not, either intelligent or not. So these characteristics, these attributes that we found, constitute what can be seen to be the inspirational coach. What's interesting about this finding in England, was we found almost exactly the same characteristics in virtually all of the other societies that we did the research in. So across, certainly across 42 societies, this was a universal characteristic, which was very surprising. I certainly didn't expect to see that at all. We can, you can discuss the implications of that, perhaps in your own work later on.

Secondly, we found that in England there was a second sort of leader that was seen to be outstanding, and that was the orderly organiser. The orderly organiser can be seen to be outstanding, by some people. It only accounted for 7 percent of the total sample, so it's not terribly significant, it's not significant but it was there. And these, these are leaders that unlike the inspirational coach, I mean, who is an inspirational coach? Richard Branson? Maybe. But an orderly organiser - you wouldn't be able to identify them very easily - because they are only recognised internally in the organisation. Because they do follow the rules, they are procedural, they are formal, they are very patient, they do help people, they are risk-averse. They rely upon habit, and they're modest. But, in a professional organisation, maybe that's what you need. You need someone that's going to bide by the rules because their job is to support the professionals. The research biologists, or the pharmacists, or the scientist in the organisation. So the orderly organiser was seen to be outstanding by a number of the people in the sample.

Thirdly, a third group that we can identify is the merchant adventurer. This person was outstanding in a negative way. They're ruthless, they're egotistical, they're domineering, they're not interested in other people, they're dictatorial. Do you know a leader like this? Most of us have come across leaders like this in our organisation. Some people would say they are pathological, they're diseased. I shouldn't say any more, because I know some that are just like this, within this organisation of course. But the point about the merchant adventurer is, even though they may be negatively perceived by the people in the organisation, the people still see them as being outstanding in some ways. So

although I may be a domineering, wilful, inequalitarian, dictatorial leader, I might actually get some results. So you know it's not necessarily that love and kindness gets result. Sometimes you need a bit of a knife as well, and the managers recognise that.

But the love and kindness view is the final one: the compassionate visionary. So the classic example of this in England is, Anita Roddick; unfortunately has died recently. But the Body Shop you know anyone, Yeah? The Body Shop was founded by her. And here in Reading, this was her, I think her second shop. Brighton was first, and I think here was second, or third. And eh, you know she characterises this. She, she wasn't interested in making profits as such, she was interested in making a difference in the world. She was interested in, in developing Fair Trade in particular , things like this. So she was very good at team building, she was inspirational, very compassionate, and self, self-sacrificial certainly. But highly motivational as well. Four very different approaches to leadership in the organisation, organisations.

Part 9

So, what we find from this empirical study is that there is one universally-endorsed approach to leadership, which I still say, having done this research, I find it very difficult to accept. I still find it very difficult to accept there's one style of leadership that is universally accepted, but that's what the figures show. And it's confirmed because for about 5 or 6 years after I did the original study, I did studies on our students, first year students to try to confirm these results, and they were generally speaking, confirmed. OK, so the point is that if a leader in the UK, in the UK either at a national level or at the organisational level, took this approach then it would be expected that they would be accepted by their followers. And that's important, it's important if you or I are trying to recruit a leader, then we might well want to say we want to measure whether this leader is an inspirational coach or not, because we don't want someone that's not, because they won't get acceptance at least.

And the reason is that, according to Hofstede, it's difficult to change culture, so we do want to have a leader that reflects our organisational culture, and we know that the inspirational coach has got universal support. So whether we have to agree with the UK or in America like Hewlett Packard, it makes no difference. So a very important conclusion. In particular when we are looking about the need for organisational change. In those situations, you really need a leader that can bring people together, about, concerning these values and perhaps the behaviours, honesty and integrity, very important. If you haven't got that, if you are a merchant adventurer individual in a period of change, that can lead to organisational death. We will just leave the organisation because they don't trust the leader. So very important.

So from this study we, we are clear that the managers would like a stronger emphasis upon culture, more gender equality, greater decentralisation of power, they are willing to accept inspirational coach approach which would be endorsed by the organisation. Some organisations can behave differently because of their contingencies, such as the

Body Shop. Anita wasn't brought in to run it, she founded it and developed it, so it was like her image. That's very different from a multi-national organisation.

So you can't necessarily, generalise. So what we find from this research is that we have got, we know we've got valid and reliable empirical results. This, therefore, is powerful, powerful material that we need to take seriously. And organisations need to take seriously, and they are taking it seriously. So culture does matter because it influences leaders. Leadership matters because unacceptable forms of leadership will be rejected by the organisation, and could lead to organisational death. And of course, finally, it's true to say that at root, everything is economic, but that is a truism. To say that there are economic foundations upon which everything else must rest, is a truism which is only announced by economists, because the fact is, that for economic success, leadership and culture needs to be congruent with the relevant stakeholder interest. In other words, on its own the economic approach to organisations cannot lead to success. You need to have congruency between the economic foundations, and the leadership and the culture of the organisation. The three together, not just one.

Now on that note, as it is eleven o'clock, I will stop, but if you would like to just hang on there, I will put on again, the material that I put on at the beginning, which talks about confidence or crisis, and as you go through this and look and see the Power Point, just pick up elements that I've been talking about, especially about leadership and culture in this Power Point. OK. This will last about 8 minutes and then you can go to the classrooms.