A Model to Enable Organisational Cultural Change using Systemic Strategic Human Resource Management

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Abstract:
Cultural change in organisations is both difficult to implement and hard to achieve. In this paper, theory from strategic human resource management, organisational cultural change, systemic thinking and practice, and punctuated equilibrium, is integrated in order to build a model for organisational culture change. Evidence is provided showing the capacity of the model to enable researchers and organisational change agents to improve the success of organisational cultural change programs. 

Keywords: Corporate culture; Strategic human resource management.

Introduction and Context
As Schein (1999) observed, shifting culture in an organisation is an extraordinarily difficult task. For example, a detailed case study of change in seven hospitals by Huq and Martin (2000) found that “only one of the seven hospitals was categorised as highly successful” (p.90) and that change hinges on successful understanding of the unique aspects of each culture and implementation of “practices relevant to their culture” (p.91). Also, Smith (2003:251) reports that published data “support the contention that culture change is one of the most difficult types of change to accomplish”. He examines three studies involving 225 samples of culture change, as well as his own study containing 59 samples. The success rate in both was only 19%.

This paper contends that the poor success rate in organisational cultural change is partly due to a lack of systemic thinking by organisational change agents. Espejo (1994:210) defines systemic thinking as “an understanding of how the parts relate to each other and constitute large wholes, that is, of self-organising processes”. To help managers to enhance their ability for systemic thinking, this paper proposes a systemic model of organisational cultural change using strategic human resource management (SHRM). The model is presented as Figure 1. Although many of the elements may be found in other models of organisational change, there are three key elements included in our model which substantially differ from others: (a) business cycles, (b) systemic thinking, and (c) systems practice.

The development of the model arises from an action research project that was conducted in the Australian Taxation Office (ATO). All of the elements of the model were used in the implementation of a systemic SRHM cultural change process, except business cycles, which was a product of learning from the implementation process itself. The result of the change process was positive, with a shift in the ATO’s culture from an ‘entitlement culture’ towards its desired ‘performance culture’ (See Molineux, 2005).
FIGURE 1: How Systemic Strategic Human Resource Management Influences Organisational Culture

**Theoretical basis for elements of the model**

Out of the fourteen elements in the model, three elements are proposed in this paper that are not found as a part of change models in the HR and organisational culture literature. After outlining the justification of the elements of the model derived from the available literature, a more detailed explanation is provided of the elements we propose to be essential new elements of a model of how SHRM can influence organisational culture (i.e., business cycles, systemic thinking and systems practice).

**Business Direction (Element 1)**

Business direction is the strategic direction and vision proposed by the leaders of the organisation, which provides the context for any change program. Its purpose is strategic alignment. Tony Rucci, interviewed by Huselid and Becker (1999:358), states “the key issue is creating a clear line of sight between what I do in my job each day and the success of the firm”. Similarly, Monks and McMackin (2001:58) note that the
HR system must be “aligned with the changing strategy of the business”. In a review of major models of SHRM, Truss and Gratton (1994:669) identify the “business strategy” of the organisation as one of the five key aspects of the SHRM process that should be included in any model of SHRM.

**Environment and Context (Element 2)**

This element relates to the environmental conditions of the business, such as the business context and its technological, legislative, financial, and competitive environments. A SHRM change process must fit both the organisation’s business strategy and its environmental context. Paauwe and Boselie (2003:64) argue for “environmental fit”, as “necessary conditions for organisational success through HRM”. Doorewaard and Meihuizen (2000:41) note “the external context influences an organisation’s output market strategy and HR strategy”. This element is included in our model in accord with Truss and Gratton’s (1994:669) observation that the “external environment” is one of the five key aspects that should be included in any model of SHRM.

**Culture (Element 3)**

Kanter et al (1992:202) note that, “in the organisational change process, it is imperative for managers to understand current organisational culture”, which “enables change management strategies to be developed that are appropriate for the organisational context”. Truss and Gratton (1994:669) included “culture” as part of the “organisational context within which SHRM operates”, and identify it as another key aspect of any model of SHRM. Without a cultural assessment, any change introduced may be culturally inappropriate. For example, Parker and Bradley (2000:125) note in discussing major cultural change in the Australian Public Service, that “changes have been pursued with relatively limited empirical understanding of…culture in the public sector” and are “potentially lacking in sensitivity to the culture characteristics of public organisations”.

**HR Philosophy and Design (Element 6)**

This element refers to the organisation’s philosophical intent for the future culture of the organisation, and the high-level design of a HR change program. It is supported by Monks and McMackin (2001:59), who note that “a philosophy or set of beliefs may play a particularly important role in the architecture of the HR system”, because it provides “the infrastructure required to support the policies and practices and to convert them into the processes”. In practice, Kirn et al (1999) and McCowan et al (1999) outline how a strong, well-communicated vision, based on a values-driven culture and philosophy, has been instrumental in the success of the large corporates Sears and Herman Miller, respectively. Truss and Gratton (1994:669) included “human resource strategy” in their discussion of SHRM aspects that should be
included in any model of SHRM. In our model (See Figure 1), this item is included as the ‘HR design’ component of HR philosophy and design.

Leadership and Direction Statements (Element 7)
Kotter and Heskett (1992:92) believe that “Leadership from one to two people at the very top of an organisation seems to be an absolutely essential ingredient when major cultural change occurs”. Also, Michela and Burke (2000:240) include “Leadership that promotes these new behaviours, understandings, and values” in their requirements for implementing change. Schein (1985:242) notes that public statements by leaders “have a value for the leader as a way of emphasising special things to be attended to in the organisation”. He also includes “deliberate role modeling, teaching, and coaching by leaders” (p224) as one of the “primary mechanisms for culture embedding and reinforcement”.

HR Change Strategy (Element 8)
This element refers to the need for a change strategy and process to implement change, including the planning, resourcing and coordination of change projects. Ulrich (1997a:181) calls for a process approach to culture change, and notes its advantage is that “the changes become relatively permanent” and “the new processes provide clear business deliverables”. For example, a successful process of change is reported by Martin and Cheung (2002). Success factors included: visible and participatory top management commitment; clear project goals and deliverables; sufficient project resources; use of cross-functional, natural work teams; use of experienced consultants; and a tight implementation schedule of 12 months.

Behavioural Requirements (Element 9)
The behavioural requirements of the new philosophy and design are required to bring about behaviour change of organisation members. Thompson and Luthans (1990:333) state that culture “can only be changed through changes in behaviours”. They note that “consistent messages must be conveyed through behavioural interactions and through changes in the employee’s environment” (p.331). Also, Michela and Burke (2000:240) include as one of their requirements for implementing change, “New behaviours that will implement the different directions and are linked to new values and norms…”.

HR Operational Changes (Element 11)
This element refers to HR operational changes, such as the implementation of High Performing Work Practices, and new or updated infrastructure, to support the required changes in culture. Becker et al (1997:41) believe that HR systems can only impact “when they are embedded in the management infrastructure and help the firm achieve important business priorities”. The changes need to occur across
all aspects of HR. Caldwell (2001:49) notes that it should “inevitably spread out into a whole array of related areas that require coordinated management, e.g. selection, organisational design, training, rewards, employee relations”. Also, Truss and Gratton (1994:669) identify “individual [HR] practices” as part of the SHRM aspect that should be included in any model of SHRM. It is where horizontal fit is important, which Delery and Doty (1996:804) note as “the internal consistency of the organization’s HR practices”.

Reinforce New Behaviour (Element 12)
This element contains the processes of reinforcement that help embed the new behaviours required in the culture. Thompson and Luthans (1990:333) believe that in a change process, there is a need to identify “various reinforcing agents” and then “integrating those agents that can be supportive while reducing the effect of those agents that are less supportive”. Processes of extrinsic motivation, such as rewards, recognition and feedback (Deci and Ryan, 1985) may assist in the process.

Evaluation (Element 13)
It is important in a change process that continual evaluation occurs. This will guide and correct ongoing action. Cabrera and Cabrera (2003:44) believe that “for an evaluation system to be able to guide action, it must incorporate an assessment of the causal links connecting indicators at different levels”.

Alignment and Culture Change (Element 14)
Alignment and culture change represent the ‘outcome’ element of the model. Truss and Gratton (1994:669) include “outcomes – some notion of the outcomes of the process of SHRM”, as one of their key aspects of SHRM models. It is here that the culture change is assessed, and the extent of alignment with required behaviours is recognised. “Alignment between strategy, culture, and leadership is critical”, according to Schneider (2000:29), for an organisation to be “effective and financially successful in the long term”. Such an approach views culture management as a central management function, with the alignment of organisational culture and strategy seen as an ongoing process (Ogbonna and Harris, 2002). Palthe and Kossek (2003:303) state that the key difference between top performing and mediocre organisations is that “their configurations of multiple organization subcultures and HR strategies are aligned in the optimal way”.

Additional Elements Proposed in this Paper

Business Cycle (Element 4)
The business cycle element captures the understanding gained from this action research project about the
impact of the business, economic and political environment on organisational cycles. Based on the theory of punctuated equilibrium, which provides an explanation of organisational change and business cycles, this paper proposes that an important aspect of managing change is to understand the context of the type of change in comparison to the business cycle that the organisation is going through. Tushman and Romanelli (1985:181) explain that organisational evolution is “characterized by periods of convergence punctuated by reorientations leading to the next convergent period”. They explain that these cycles are driven by the emergence of tension between organizational and institutional forces for inertia and environmental pressures on performance. Punctuated equilibrium models, according to Romanelli and Tushman (1994:1142), “enable predictions about patterns of fundamental organizational transformation”.

A finding of this action research, reported in Molineux and Haslett (2002), is that cultural change is more likely to be successful in a revolutionary (punctuated) cycle, rather than in a convergent (equilibrium) cycle. In a convergent cycle, inertia is higher, so radical change is more difficult. In these situations, a longer-term, incremental cultural change strategy is more appropriate. To understand the impact of these cycles, managers should therefore consider mapping the cycles of the organisation over time, to obtain some insight into the organisation’s long-term cyclic behaviour. For example, in a cycle where downsizing and reengineering are dominant, any cultural and participatory forms of change may “be followed by cynicism and resistance”, according to Huy (2001:613). He alludes to the difficulty for “change agents to apply coercion (commanding) and build warm trusting relationships (socializing) with the same people at the same time”. Large-scale cultural change needs to be carried out in the context of a revolutionary period, as described by Tushman and Romanelli (1985). Without this impetus, change will only be incremental and slow, as the inertia within the organisation resists attempts at fundamental change. O’Reilly and Tushman (1997:215) believe that in their view, “culture is a key to the successful execution of revolutionary change”. Also, Sørensen (2002) indicates that incremental and revolutionary cultural change differ in terms of the dynamic contextual environment of the organisation. Where the conditions exist for revolutionary change, then incremental change will not work.

**Systemic Thinking (Element 5)**

The systemic thinking element represents a whole-of-system view of the business context, culture and strategy in relation to a cultural change program. Walker (1999:11) claims that “great human resource strategies apply a systems approach, diagnosing and developing alignment of levers with strategies using an alignment or fit mode”. A systems approach in organisational culture is alluded to by Waldman et al (2003:6), who state “only when we approach the system as a whole and use synthesis can…problems be ‘dissolved’ and outcomes improved”. Such systems (or ‘systemic’) thinking is therefore required in
understanding the complex dynamic relationships involved in culture.

Systemic thinking is proposed as a core element of the model. It brings together an understanding of the complex interactions of the business direction, the organisation’s environmental context, the organisation’s business cycles, and the existing culture. The complexity of these interactions and their potential impacts on one another can only be properly understood through systemic thinking. This is because, as Kim and Senge (1994:277) note, managers’ “inability to deal with dynamic complexity, when cause and effect are not closely related in time and space, and obvious changes do more harm than good”. They see dynamic complexity as “more challenging”, because it requires thinking “in terms of complex causal interdependencies involving multiple sources of delay and nonlinearity, and evolving patterns of change over time”.

Developing an appropriate HR philosophy, design and change strategy to shift the culture can only be done effectively through this type of thinking. This is where the underlying structural solution to the change problem can be developed. As Senge (1990:53) notes, the structural solution “is the least common and most powerful”, as it focuses on the causality of the patterns of behaviour”. This is important, he explains, because “only they address the underlying causes of behaviour at a level that patterns of behaviour can be changed” and “structure produces behaviour, and changing underlying structures can produce different patterns of behaviour”. Thus, the dynamic nature of the context for change requires systemic understanding of all of the factors to understand the relationship between the elements of the model. For instance, Schein (1985) raises the issue that a failure to understand the dynamic consequences of cultural phenomena results in an underanalysis or misunderstanding of its importance. This realisation underlies the value of systems thinking in dealing with organisational culture.

**Systems Practice (Element 10)**

The tenth element of the model is also proposed in this paper. Systems practice refers to the specific system techniques used to enhance the change process. Checkland (1981:4) states that systems practice uses “the product” of systems/systemic thinking “to initiate and guide actions we take in the world”. One such approach is proposed by Flood and Jackson’s (1991) Total Systems Intervention (TSI). Through this approach, appropriate systems methodologies and techniques can be applied to a cultural change program at various points in its cycle, to enable more effective design and implementation.

In the model at Figure 1, systems practice feeds into the four major HR processes recommended as elements in the model. This paper would recommend the use of Soft Systems Methodology and systems
dynamics for this work, as they were used successfully in this action research. However, other systems methodologies could also be used for this work, depending on the organisation’s context. The critical consideration for management is to acknowledge their organisation’s business strategy, context, environment, strategy, business cycle and culture, and then to match it to systems methodologies that are appropriate for their specific situation.

**Explanation of how the model works in practice**

In the model shown at Figure 1, within the oval at the top of the diagram, the element noted as *Systemic thinking* is a critical starting point. Such thinking helps an understanding of: the *business direction* of the organisation, the factors in the *environment* influencing the business, its organisational and *business cycles*, and the impact of the existing *culture* on the business. The dynamics of these relationships are driven by business and organisational cycles. An understanding of this comes from an assessment of the factors involved in revolutionary change, and the history and current state of the organisation’s business cycles. In the ATO case, these were driven by political cycles. In private organisations, economic and industry cycles may be more relevant.

The *systemic thinking* component is critical to avoiding pitfalls. Systemic thinking should avoid ‘quick fixes’, as the understanding of underlying structure, context and culture will enable the leaders of the organisation to develop a philosophy and design that aims to provide a fundamental solution, rather than treating a symptomatic solution. For example, an organisation that uses frequent retrenchment and hiring sets up a cycle that appears to use quick fixes. This may cause fundamental problems with long-term capability and the motivation of staff. The culture of the organisation could also be affected, even though this would not generally be an intention of management. Such unintended consequences of quick fix solutions will be avoided if systemic thinking is used. To assist leaders in this type of thinking, systemic techniques such as scenario planning and system dynamics modeling would prove useful.

In Figure 1, the four ‘boxes’ represent a cycle of different levels of HR. From the systemic thinking represented in the oval, a new *HR philosophy and design* can be drawn that will include the high-level design of the HR system to be implemented, and images of the future intended culture. Once the design has been created, a *change strategy* and methodology needs to be developed. Implementation of the change strategy then results in *HR operational changes*, which would be designed to elicit and reinforce *new behaviours* required. The whole process would then be assessed through *evaluation* mechanisms.
At the core of the model, and underpinning this cycle is *systems practice*, which enables change to occur in a systemic way. *Systems practice* can be used at any stage of the change process. TSI (Flood and Jackson, 1991) is the process for systems practice that is recommended in this paper. TSI enables a manager to choose appropriate systems methodologies, depending on the level of complexity of the problem situation (i.e. simple or complex) compared with the type of relationships of the participants involved (i.e. unitary, pluralistic or coercive). The various systems techniques will enable the user to design implementation processes, engage stakeholders, analyse contexts, evaluate complex dynamic information, and evaluate outcomes. The TSI method can guide practitioners in the choice of appropriate system techniques for the relevant situation. At the outside of the model, the process of behavioural change is indicated. The new philosophy and design requires *leadership and directional statements* to model the new behaviour required. The change strategy and methodology outline the *new behaviours required* for the desired culture to set benchmarks that changes may be measured against. The new HR infrastructure and operations *reinforce new behaviour*. The extent of *alignment and culture change* in accordance with the overall philosophy and business direction can then be measured. This information then feeds back to the systemic thinking about the business and its direction.

The whole operation should not be viewed as static or sequential, however. Feedback from each of the elements should be noted and issues addressed. The implementation of such models rarely run smoothly, so adjustments along the way are to be expected and planned for.

**Evaluation of the Model in Practice**

A summary assessment of the elements of the change model in terms of their existence in the ATO change process and their support in the literature is provided in Table 1. Overall, most elements of the model featured in the process used in the ATO to implement the change.

The first three elements were present in the conceptual understanding of the change program by ATO executives. The fourth element relates to the findings from this research, regarding organisational cycles and the punctuated equilibrium theory. This element was not a feature of the ATO executive’s discussions, however the executive members were certainly aware that they were in the midst of a major change cycle. The fifth element was an important input into the outcome of the sixth element. The fifth element certainly existed, as both the executives and the design team used systemic thinking processes to understand the whole system they were dealing with. Top leadership support existed for the seventh element. The eighth element of the model used a project management methodology. The ninth and
twelfth elements of the model existed in the form of required behaviours through the performance system, particularly for leaders. However, these elements could have been better integrated into the other parts of the system. The thirteenth element could have been improved, as it needed a consistent measure of culture in the ATO during this period. Of note in this paper, however, is the tenth element, and the inconsistent use of systems tools by several ATO change projects. Those change projects that used these tools generally had better processes and outcomes.

**TABLE 1: Evaluation of Elements of the Change Model at Figure 1**

<table>
<thead>
<tr>
<th>Element</th>
<th>Existence in the ATO change process</th>
<th>Support in literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Business direction statement</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2. Understanding of environment and context</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>3. Understanding of existing culture</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>4. Understanding business and organisational cycles</td>
<td>Not directly</td>
<td>Proposed in this paper</td>
</tr>
<tr>
<td>5. Systemic thinking about elements 1 to 4</td>
<td>Yes for the first three</td>
<td>Proposed in this paper</td>
</tr>
<tr>
<td>6. HR philosophy and design</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>7. Ongoing top-level leadership support</td>
<td>Top level support in developing strategy</td>
<td>Yes</td>
</tr>
<tr>
<td>8. Change strategy, methodology and implementation mechanisms</td>
<td>Project management methodology</td>
<td>Yes</td>
</tr>
<tr>
<td>9. Overt behavioural requirements</td>
<td>Used in performance system</td>
<td>Yes</td>
</tr>
<tr>
<td>10. Systems practice through the consistent use of system tools</td>
<td>Inconsistent use</td>
<td>Proposed in this paper</td>
</tr>
<tr>
<td>11. Aligned infrastructure and operations to the philosophy and design</td>
<td>Worked in some parts of the system</td>
<td>Yes</td>
</tr>
<tr>
<td>12. Reinforcement of changed behaviour</td>
<td>Via the performance system</td>
<td>Yes</td>
</tr>
<tr>
<td>13. Evaluation and feedback</td>
<td>Evaluation undertaken</td>
<td>Yes</td>
</tr>
<tr>
<td>14. Outcomes of alignment and culture change</td>
<td>Outcomes indicate a cultural shift</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Conclusion**

The paper has integrated theory from strategic human resource management, organisational cultural change, systemic thinking and practice, and punctuated equilibrium, to build a model for organisational culture change. The model has been created to enable researchers and organisational change agents to improve the success of organisational cultural change programs. The model, if used in the manner described, should enable better insight into the dynamics of cultural change processes. This, in turn, will enable an appropriate strategy to be developed for the organisation’s particular context. Following this, the implementation of the strategy using the elements as described, should enable cultural change to occur.
References:


