Enabling Organisational Cultural Change using Systemic Strategic Human Resource Management – a Longitudinal Study

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Abstract:
The paper reports on a longitudinal assessment of sustained organizational cultural change in the Australian Taxation Office. Results from a major action research change project are provided. A clear finding from this research is that the cultural change had been sustained through the systemic application of strategic human resource management.

Keywords: Corporate culture; Strategic human resource management; Action research.

INTRODUCTION AND CONTEXT

This paper outlines a longitudinal assessment of organisational cultural change from 1995 to 2010, based on a major cultural change project carried out in the Australian Taxation Office from 1998 to 2002.

The Australian Taxation Office (ATO) is a large government agency, employing between 18000 and 21000 staff over the years 2000 to 2002. During the period of this research, the ATO was required to implement the government’s tax reform agenda, which included the implementation of the Goods and Services Tax. The tax reform agenda was a major change to the tax administration in Australia. For the ATO, it was a considerable undertaking, and resulted in a heavy focus on change with the employment of an additional 3500 staff to be able to implement tax reform. The top management group of the ATO decided to intervene in the culture of the organisation to try and shift it from an ‘entitlement’ culture to a ‘performance’ culture, as they did not believe the pre-existing culture would deliver ongoing improvement. An ‘entitlement’ culture is noted in the literature (Bardwick, 1998; Juechter et al, 1998; Fisk 2010) as one where people feel entitled to certain benefits from an organisation without regard for their performance level. On the other hand, a ‘performance’ culture is one where employees want to contribute their best for the organisation in return for appropriate benefits, and is noted as a desired state of alternative corporate culture by a number of authors (Atchison, 1999; Figura, 2000; Pearse, 2000).

The researcher was a member of the organisation during the reported period and involved in the cultural change project, titled the ATO People Strategy (1999). The process covers four years of insider action research (Coghlan, 2001) work in the ATO. As an HR practitioner, the researcher noted from earlier HR experience that there was a difficulty in achieving sustained organisational change by implementing ad-hoc HR interventions in isolation from a whole-of-organisation understanding. For example, the researcher recalled an intervention to improve attendance at the ATO had some immediate short-term impact, however, in the following years, indicators of unplanned leave had
returned to previous levels. These ideas were shared with the core design team and sponsors of the People Strategy project. The project then used a systems-based approach to understand the implementation of a systemic Strategic Human Resource Management (SHRM) intervention in an organisation. The team assumed that the use of systemic techniques could enable greater and more aligned change than would otherwise be the case using ‘piecemeal’ or ‘ad-hoc’ approaches. Researchers have noted that attempts to introduce best HR practices are often piecemeal (Harney and Dundon, 2006; Johnson, 2000, Edwards and Wright, 2001), and do not bring about sustained change. According to Monks and McMackin (2001:58), piecemeal introduction of individual HR practices can “neutralise rather than reinforce one another”.

A key issue in this paper is cultural change, particularly that related to shifting an organisation’s culture from an ‘entitlement culture’ towards a ‘performance culture’. However, 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) demonstrated that implementing large-scale whole of system change was very difficult, with only one of seven hospitals categorised as highly successful. Also, Smith (2003) examined 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%. The poor success rate in organisational cultural change seems to be 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”. Systemic thinking, then, helps people gain meaningful insights into events and behaviour, and a deepening systemic appreciation “facilitates construction of incisive insights into each viewpoint” (Flood, 1999:129). The complexity of an organisation’s environmental context, business strategy, culture and operations and their 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”. 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 because only the structural solution addresses the underlying causes of behaviour at a level that patterns of behaviour can be changed. As structure produces behaviour, so changing underlying structures can produce different patterns of behaviour (Senge, 1990). 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. Systemic approaches to HR and change are noted and suggested by Paauwe and Boselie (2005), Pudelko (2006), Young (2009), and Karp (2006:6), who remarks that if a “leader wants to influence people’s behaviour in an organisation, a systemic perspective is also needed”.

The aim of this research for the ATO was to shift the organisation towards a ‘performance culture’ that would result in a more effective and responsive workforce and enable the organization to achieve its future challenges. For the researcher, the aim was to show how a systemic approach to SHRM could enable the cultural change to occur and be sustained over time. Therefore, in this context:

*It is a contention of this paper that the implementation of a systemically designed strategic human resource management intervention can have a positive and sustained impact on an organisation’s culture.*

**A SYSTEMS APPROACH TO STRATEGIC HUMAN RESOURCE MANAGEMENT (SHRM)**

The understanding of HR as an organisational system is a key to unlocking leverage for change. For example, Barney and Wright (1998) suggest that sustainable competitive advantage stems from HR systems more than from single HR practices. Also, Monks and McMackin (2001) point to the advantages of seeing HR as a system over other approaches, with Huselid (1995:636) noting that systems of HR practices “simultaneously exploit the potential for complementarities or synergies among such practices and help to implement a firm’s competitive strategy.” Such as system, as the resource-based view of HR puts forward, becomes a strategic asset, and as it is ‘invisible’ and embedded in the operational systems and management infrastructure of the organisation, it creates value and enhances the firm’s capabilities (Becker and Gerhart, 1996; Becker et al, 1997). However, as Chadwick and Capelli (1999:15) lament, simplistic typologies used in SHRM research may prevent a holistic understanding of HR systems, and they do not believe that many researchers or practitioners “really seem to understand what strategies require of human resources on a systemic level”.

In response to these findings, a systemically astute business manager would see that there may be a gap between the performance of the organisation’s human capital and its potential, and that gap may represent a loss of strategic advantage. Such a systemic strategy would be best delivered through a comprehensive understanding of the way the HR system should work in the organisation. This is difficult to achieve though, as a systems approach to HR imposes significant demands on HRM in comparison to the introduction of individual practices (Monks and McMackin, 2001). The changes need to occur across all aspects of HR (Caldwell, 2001) and the resulting system then will enable the integration of a range of HR practices so that they “complement, rather than conflict with, one another” (Barney and Wright, 1998:40).
A feature of a systems approach is the synergy that exists amongst elements of a system (Barney and Wright, 1998; Chadwick, 2010), which in HR is an important contributor to firm performance (Yeung and Berman, 1997; Subramony, 2009). Rodríguez and Ventura (2003:1206) outline the reason for this is that HR systems take advantage of “the potential for complementarities or synergies among such practices and, at the same time, facilitate the implementation of the firm’s competitive strategy”. This synergy means both aligning the HR processes with the desired culture and ensuring consistency between short-term and long-term objectives (Beatty and Schneier, 1997).

One of the key systems approaches to SHRM is the use of high performing work systems (HPWS), which appear in the literature as ‘bundles’ or ‘systems’ of HR practices that are implemented together with the intention of improving the productive output of an organisation’s workforce. A large number of studies (e.g. Delery and Doty, 1996; Guthrie, 2001; Huselid, 1995; Kaman et al, 2001; MacDuffie, 1995; Varma et al, 1999) confirmed in a meta-analysis by Subramony (2009) have found a positive link for high performing work systems to improve organisational performance. Horgan and Mülau (2006) note that these practices can have interactive effects or additive effects. Various studies (Youndt et al, 1996; Becker and Gerhart, 1996; Rynes et al, 2002) have noted the wide variation and inconsistency of HPWP or best HR practices. For example, various different lists of HPWP are produced by Taylor et al (2008); Subramony (2009); Horgan and Mülau (2006) and Datta et al (2005). However, there is a clear emphasis on the uniqueness of each organisation, and this would indicate that managers need to decide on what practices are best suited to their particular business context and strategy. The practices work through changed employee behaviour (Katou and Budhwar, 2006), and through improved abilities, motivations and opportunities to participate (Boselie et al, 2005). However, Hailey et al (2005:63) noted that “the best of HRM policies may be designed but that does not mean that they are implemented within the workplace”. So implementation is also a key issue, with Kinnie et al (2005) discovering that different employee groups responded to different HR practices, which makes the design of HR strategy become problematic. Therefore, HPWS needs to be differentially employed according to the expected contribution and expectations of different employee groups (LePak et al, 2007; Conway and Monks, 2008). However, other reviews claim that the HPWS studies only show the potential value created through HR practices and don’t reveal the processes through which this value is created, which can often be quite different for the same practice, making any universal model flawed (Wright et al, 2003; Boxall and Macky, 2009).

With these factors in mind, it is not enough just to introduce bundles of practices that may be effective in the short-term, but to embed these practices in the systemic structures of the organization that changes the norms of behavior within the organization and hence the culture. In essence, this approach needs to apply
to the whole organization to enable it to be sustained, otherwise elements of the ‘old’ culture would likely re-emerge and overwhelm the new. The systemic approach recognises that HPWS operate differentially and in different contexts. For some contexts, some practices will be more evident in changing the culture than in other contexts, however these practices still need to be embedded in the structures of the organization to enable change to be sustained.

In this paper, it is recognised that the use of HPWS have made a difference in many organisations, however, due to the large variation of specific practices in the various HPWS models, no universal conclusion can possibly be made. Specific HR practices must be able to work synergistically and fit with both the organisation’s business strategy and its existing cultures and business systems to enable them to work effectively. Many of these systems are bundles of good HR practices, where systemic interactions produce synergies. The skill of the manager is to get the right and unique blend of practices suitable for the particular organisation, as well as to understand their interactions, to be able to produce effective outcomes. In the ATO, many of these practices were built into the ATO People Strategy, and were designed in a coherent and systemic way.

**ORGANISATIONAL CULTURE AND CHANGE**

Culture is thought to be the natural outgrowth of the social interactions that are organizations (Trice and Beyer, 1993). This is because culture “refers to the deep structure of organizations, which is rooted in the values, beliefs, and assumptions held by organizational members” (Denison, 1996:624). As culture evolves over time in an organisation, it can become a pervasive force and its systemic structures underlie much of what happens in organisations (Trice and Beyer, 1993). As culture is deeply embedded, this leads to it becoming more of a *cause* than an *effect* as it influences strategy, structure, procedures, and the ways in which organisation members relate to each other (Schein, 1985). The socialisation process in the organisation causes the culture to reinforce itself and thus become relatively stable over time, and so builds inertia, although cultures are never static (Kotter and Heskett, 1992). Given this pervasiveness of culture, then strategy and cultural alignment is critical for an organisation to be effective and financially successful in the long term (Schneider, 2000). Such an approach views culture management as a central function, with the alignment of organisational culture and strategy seen as an ongoing process (Ogbonna and Harris, 2002) and effective HR management of this alignment becomes a key difference between top performing and mediocre organisations Palthe and Kossek (2003).

employers attempt to wean employees away from the entitlement mentality by introducing specific HR programs such as wellness incentives. As the entitlement culture runs deep, however, these incentives are only likely to deal with the superficial aspects of culture. In reference to attempts to introduce a ‘performance culture’ by three other Australian Public Service (APS) agencies, O’Brien and O’Donnell (2000:72) noted that there “seemed to be an emerging gap between the rhetoric of cultural transformation towards a high performance…public service and the reality experienced by employees”. Also, Parker and Bradley (2000:125) note in discussing major cultural change in the APS, 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”. These examples indicate the difficulty of translating intent into effective implementation of cultural change.

The existence of an entitlement culture in an organisation is partly related to the level and type of employee commitment (Allen and Meyer, 1990; Virtanen, 2000) that exists in it. The issue of employee commitment is significant for organisational change agents. The initial momentum of large-scale organisational change, according to Narine and Persaud (2003:180), “eventually decelerates because of internal forces related to management’s inability to gain employee commitment and then maintain it over the long haul”. This problem is partly related to inertia, and partly related to the motivation and commitment of individuals. Such commitment arises from an emotional or intellectual bond linking the individual with the organization, and it is important because it enables discretionary effort of the employees (Davenport, 1999). Therefore, the careful design of the organization’s system of HR practices is critical in building commitment to support an organization’s business strategy, as HR practices shape the behavior and experiences of employees and become the means whereby cultures are created and sustained (Rowden, 2002). Confirming the importance of the HR-culture link, Taylor et al (2008: 501) found that “organizational culture characterized by high adaptability and a HRM system characterized by high performance work practices were found to have a significant and direct effect on employee commitment”.

Some theorists develop central arguments around the impact of HR on culture. For example, Ulrich (1997:158) notes that HR professionals “can create the architecture and action that lead to new cultures”. Varma et al (1999:33) found that HR practices, such as HPWS can cause “a positive culture change in the organization” and Beatty and Schneier (1997:34) believe that culture change “may offer the highest potential leverage for HR to impact the organization’s economic performance”. This can only occur effectively when SHRM is used in a way that aligns HR strategy to business strategy. An issue in implementing sustained cultural change is the achievement of a critical mass (Enderby and Phelan, 1994),
and this may be developed through an effective change management process that involves individuals in the change process. Once a critical mass is achieved, a new norm is created, so that ‘the way we do things around here’ is transformed to that new norm. The critical mass can be achieved by embedding the change in the systemic structures of the organization. In the ATO, this was achieved in the HR systems of the organization, such as performance management, IR, employee communications and employment. However, the process to enable culture change to succeed can be highly complex and involved. Kotter and Heskett (1992:99) note that in “ten successful cases of cultural change that we studied, hundreds or thousands of initiatives were required to implement the new visions and the new strategies”. These examples highlight the issue of trying to change culture by introducing limited work practices, when a much more holistic and systemic approach needs to be instituted to be able to shift culture. A summary of the cultural change model and implementation process for the ATO is outlined later in the paper.

**METHODOLOGY**

The research paradigm for the project was interpretive, participatory and pragmatic. The methodology of action research is undertaken from this worldview, i.e. that results from action taken may be interpreted in the light of both theory and practice, and that participation is essential in achieving results from practice. It is evaluated as a longitudinal action research case study. This longitudinal study is similar in methodology to the action research study by Fronda and Moriceau (2008), in that it also involved a change from insider to outsider research. Case study data can “usually get much closer to theoretical constructs and provide much more persuasive argument about causal forces than broad empirical research can” notes Siggelkow (2007:22-3). A single deep case study, such as this research, is considered by some theorists as the optimum form of case study research, because it can offer insight into underlying organisational processes, politics and culture (Harris and Ogbonna, 2000). Similar public sector case study research has been undertaken by Ryan et al (2008) and Teo (2002), whose research involved HR and change.

The research contention was evaluated through a range of data as outlined in Table 1, including comments from structured interviews of the implementation team and senior managers, an analysis of voting patterns in the Certified Agreement process, content analysis of letters to the editor of ATO Extra, a comparison of several consultants’ reports and internal reports on staff survey data, theoretical argument drawn from the literature review, statements obtained from ATO Annual Reports, and evaluation of the action research process. The majority of the quantitative data was obtained from internal ATO surveys and data sources, including electronic information. Most of the qualitative data was obtained through the analysis of structured interviews of senior executives and implementation team members. Similar methods were used by Teo (2002) and in a public sector case study by Ryan et al (2008).
Data availability

<table>
<thead>
<tr>
<th>Type of data</th>
<th>1995-2000</th>
<th>2001-2005</th>
<th>2008-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structured interviews</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Agreement voting</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Letters to ATO Extra</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey data</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Annual reports</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Process evaluation</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Table 1: Data availability over the period of study

Data triangulation (Denzin, 1978) is relied on as a source of credibility. In qualitative research, triangulation is seen by Schein (1985) as the only safe approach to identify cultural assumptions, where the checking each bit of information obtained against other bits of information enables a pattern of evidence to be revealed. Triangulation strengthens a study design, according to Patton (1990:187), as it “can mean using several kinds of methods or data, including using both quantitative and qualitative approaches”. In this research, triangulation is used as a tool to broaden the collection of data in relation to the research and to provide confirmatory data, rather than to specifically validate findings. This was done by comparing the results in each of the data types against each other, to ensure consistency.

Theorists in action research note that to be successful, it “must be accepted by the research subjects (host organisation) and some improvements effected” (Rose, 1997:256); and that the theory must have a “capacity to resolve problems in real-life situations” (Greenwood and Levin, 1998:75). Midgley (2003:91) believes that a “methodology for systemic intervention should be explicit about taking action for improvement”. He notes that “an improvement has been made when a desired consequence has been realized through intervention”, whereas “a sustainable improvement has been achieved when this seems like it will last into the indefinite future without the appearance of undesired consequences”.

**ACTION RESEARCH PROCESS**

The ATO’s selection of ‘systemic thinkers’ for the design of the People Strategy proved invaluable in the design phase, particularly in comprehending and explaining complex interrelationships and complex issues in a relatively quick timeframe. The design team were quite familiar with Peter Senge’s work, particularly the books *The Fifth Discipline* (Senge, 1990) and *The Fifth Discipline Fieldbook* (Senge et al, 1994), and were continually concerned to design a strategy that would evoke maximum leverage. They believed that this would be able to be done by changing the systemic structures that caused or enabled certain behaviours to occur within the ATO and that all parts of the system needed to be aligned to the new approach, otherwise these components could be working in opposition to each other. Therefore, the People Strategy needed to be comprehensive enough to bring about a coordinated, systemic change in the
structures that could help shape the culture. The ATO executive developed iteratively with the team a set of philosophical statements about the way it wished to proceed with people management in the ATO. To bring the philosophy to life, the strategy team put forward a large range of integrated people strategies, which, they believed, would support the new philosophical direction of the ATO. Three members of the design group continued to be involved in implementing the People Strategy, along with a team of other ATO HR staff. The action research methodology was accepted as an approach to designing and implementing the change. A summary of intentions of the People Strategy are outlined at Table 2, with a list of relevant projects undertaken to achieve these intentions.

<table>
<thead>
<tr>
<th>People Strategy Intentions</th>
<th>Related Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural interventions to enable a shift from an ‘entitlement culture’ to a ‘performance culture’.</td>
<td>All</td>
</tr>
<tr>
<td>A segmentation of the workforce into work types to differentiate strategies appropriate to work type for learning, performance, employment and conditions.</td>
<td>Work type; Workforce Design; Employment; Skilling; Agency Agreement</td>
</tr>
<tr>
<td>A partnership approach to Certified Agreement making based on cooperation and mutual benefit.</td>
<td>Agency Agreement; Leadership</td>
</tr>
<tr>
<td>The introduction of a capability framework to enable effective assessment of people capabilities.</td>
<td>Capability; Skilling; Work type</td>
</tr>
<tr>
<td>A holistic assessment system for development, selection and performance evaluation.</td>
<td>Assessment; E-HR; Employment; Capability; Skilling</td>
</tr>
<tr>
<td>A targeted reward and recognition approach to encourage and reward aligned behaviour.</td>
<td>Performance; Agency Agreement</td>
</tr>
<tr>
<td>The design and introduction of an employee value package.</td>
<td>Employer of choice; Agency Agreement; Employment Leadership; Agency Agreement</td>
</tr>
<tr>
<td>A multi-way communication approach to facilitate shared understanding of corporate direction.</td>
<td>Wellbeing</td>
</tr>
<tr>
<td>A health and wellbeing program to improve the overall health of employees.</td>
<td>E-HR; Assessment; Skilling</td>
</tr>
<tr>
<td>The introduction of systems and tools to enable the strategies to be achieved, including e-learning.</td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Relationship of People Strategy Intentions with Related People Strategy Projects
Implementation work on the ATO People Strategy projects commenced late in 1999 and operated for 18 months before being terminated in June 2001. An action research cycle approach was used during the implementation phase, with a total of six three-monthly cycles undertaken during this period. Many of these projects were fully or partly implemented by June 2001, and the outcomes from the projects are explained in the next section. Other work on the concepts developed through the People Strategy continued in a business-as-usual form following June 2001.

**RESULTS**

Not all results are included here due to space requirements. A sample of comments from structured interviews is used, plus a comparison of consultant research, results from Certified Agreement votes, and letters to the editor of ATO Extra. A model developed out of the experience in this action research project and the change process involved (Molineux, 2005) is included as Figure 1.

![Diagram](https://example.com/diagram.png)

Figure 1: How Systemic Strategic Human Resource Management Influences Organisational Culture
The model at Figure 1 represents a process for integrating SHRM with cultural change utilizing a systemic approach. 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, economic and organisational cycles. In the ATO case, these were driven by political and economic cycles. 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 creating a symptomatic solution. For example, an organisation that uses frequent retrenchment and hiring sets up a cycle that appears to use quick fixes (Senge, 1990). 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, systems approaches such as scenario planning and system dynamics would prove useful.

In Figure 1, the four ‘boxes’ represent a cycle of strategic HRM. From the systemic thinking about the business direction and other factors 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, to enable this to occur in a systemic way. These techniques can be used at any stage of the change process. The various systems techniques will enable the user to design implementation processes, engage stakeholders, analyse contexts, evaluate complex dynamic information, and evaluate outcomes.

At the outside of the model, the process of cultural and 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.
Staff surveys

Due to some poor leadership feedback in relation to employee surveys in 1995, cultural surveys were not undertaken across the whole organization until 2009. However, cultural data was available through other sources and in relation to major organizational divisions in 1998 and 2003. The surveys had some quite similar questions and scales, and directly comparable results are included in Table 3. The cultural survey

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Informed about change</td>
<td>54%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>61%</td>
</tr>
<tr>
<td>Challenging work</td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>65%</td>
</tr>
<tr>
<td>Work links to organizational goals</td>
<td>90%</td>
<td>79%</td>
<td></td>
<td></td>
<td></td>
<td>97%</td>
</tr>
<tr>
<td>Morale high</td>
<td>24%</td>
<td>72%</td>
<td></td>
<td></td>
<td></td>
<td>79%</td>
</tr>
<tr>
<td>Pay satisfaction</td>
<td>46%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>83%</td>
</tr>
<tr>
<td>Manager gives feedback</td>
<td>25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>76%</td>
</tr>
<tr>
<td>Formal appraisal undertaken</td>
<td>27%</td>
<td>78%</td>
<td>85%</td>
<td>87%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager understands work</td>
<td>63%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>82%</td>
</tr>
<tr>
<td>Manager provides support</td>
<td>70%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>82%</td>
</tr>
<tr>
<td>Group is well managed</td>
<td>55%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>78%</td>
</tr>
<tr>
<td>Good use of employee’s skills</td>
<td>53%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>73%</td>
</tr>
<tr>
<td>Performance agreement in place</td>
<td>40%</td>
<td>84%</td>
<td>86%</td>
<td>90%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clear sense of direction in business lines</td>
<td>38%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>61%</td>
</tr>
<tr>
<td>Overall satisfaction with senior line management</td>
<td>35%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>62%</td>
</tr>
<tr>
<td>Proud to work for the organization</td>
<td>30%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>72%</td>
</tr>
<tr>
<td>Supports change process</td>
<td>37%</td>
<td>24%</td>
<td></td>
<td></td>
<td></td>
<td>52%</td>
</tr>
<tr>
<td>Employee supports organizational goals</td>
<td>69%</td>
<td>21%</td>
<td>74%</td>
<td></td>
<td></td>
<td>89%</td>
</tr>
<tr>
<td>Satisfaction with job</td>
<td>59%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>74%</td>
</tr>
<tr>
<td>Clear job expectations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>87%</td>
</tr>
<tr>
<td>Quality and depth of work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>83%</td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Cultural indicators from staff surveys 1998-2010; Source: various ATO internal documents
in 2003 had over 1300 respondents, with the 1995 survey over 6500, the 1998 survey over 2300, and the 2009 survey over 7600. This data allowed some clear comparisons with the pre-existing culture (prior to 1998), the culture post-cultural change (2003) and the current culture (2009). Monks and Loughnane’s (2006) study of power plants had similar difficulty in comparing employee surveys.

Significant changes in cultural indicators can be noted over time from the data in Table 3. The indicator of morale is one of the most significant, rising from 24% favourable in 1995 to 72% in 2003 and a high of 79% by 2009. Similarly, the indicator on pride in the organization changed from 30% favourable in 1995 to 72% by 2009. Job satisfaction had increased from 59% in 1995 to 74% in 2003, however there was no directly comparable question in the 2009 survey.

**Example of systemic structure driving new behaviour**

As an example of how systemic structure was used to drive change in this project, structural change was embedded in the ATO’s performance system by introducing ‘mandatory’ new performance processes and ensuring acceptance by undertaking an agreement with the unions. The process used was as outlined in outside ring of Figure 1, with a process of top leadership support, changed expected behaviours and reinforcement to achieve cultural change directed and supported through the strategic cycle of SHRM. This initially ‘forced’ the changed behavior through mandatory processes such as performance agreements, team plans, annual appraisals and mid-year reviews, and through rating people based equally on outcomes and a set of behaviours so the ‘what’ and the ‘how’ were equally important in assessing performance. For senior staff, performance pay was based on this assessment. Managers were trained in the new techniques and were expected to have regular conversations with their employees. Collaborative behaviours were assessed and rewarded, as was engagement with clients. Although these conversations were forced initially by the new processes, compliance was fairly high and increased over time. The results are included in Table 3, with the indicator *Formal appraisal undertaken* showing an increase from only 27% in 1995 to 78% after the implementation of the new system by 2003, and to 87% by 2008. Similarly in Table 3, the indicator *Performance agreement in place* increased from 40% in 1995 to 84% in 2003 and to 90% by 2008. After only a few years, these discussions became embedded as new norms in the system, and they moved from ‘forced’ towards more ‘natural’ behaviours as managers and employees became familiar with the processes and could grasp their ongoing value to their work.

**Structured interviews**

Structured interviews were undertaken with strategy designers (core members), executives and project leaders following the completion of the project. Due to space limitations, a sample only is provided.
Interviewees confirmed the systemic/holistic approach to the strategy, with comments such as:

*It recognises the connectedness of an HR system as such, and tries to manage aggregate outcomes of the system and the dependencies of different parts.* (Core member)

*The People Strategy was the first attempt for the ATO to look at a holistic HR strategy. It showed HR strategy’s connectedness. It identified dependencies, and flows through the system.* (Core member)

*The People Strategy was planned, and links and relationships were managed. It was an integrated system, e.g. capability and performance assessments would feed into employment decisions. Things were built together – and related and supported each other.* (Project leader)

These comments were indicative of the approach in designing the strategy as indicated in Figure 1, where the internal SHRM cycle influenced the external behavioural and cultural cycle and outcomes.

In relation to specific outcomes, interviewees confirmed the contributions of the People Strategy and its individual projects which helped the overall cultural change process and moved the organization towards the intentions of the strategy (Table 2). For example, one project leader noted “*We have new people, new processes, etc...It is a different place to work in – lots of change has been accepted.*” A core member noted that “*there has been a definite change of behavior*” in relation to the cultural shift that occurred.

In relation to the contribution of specific projects, the Agency Agreement project delivered significant change, and an executive member noted: “*There was a better agreement making process. It was not so antagonistic. The AA Team built trust with the unions and used different techniques throughout their process.*” Also, a core member noted that “*It repositioned the ATO Agency Agreements as an enabling tool for business strategy, people stuff, and a link from business to what we offer as an employer.*” The employment project also contributed positively with one core member noting that it “*got buy-in from Lines about the one employment system. It was a most critical step – significant... There was support from the business and it worked well with business...*” A core member also noted that the wellbeing project “*was best practice...It introduced preventative measures.*”. This understanding was important, to see the relationship of providing employees valuable services to enable more effective contribution to the business. Another core member noted the importance of the performance project and stated “*Performance was one of the shining lights. A systemic approach was achieved.*” Another core member noted how it brought a whole of organization approach, and stated “*The Commissioner thinks highly of the performance system. It has forced an enterprise view; e.g. the standards across the organisation have brought this thinking together.*” Integration of the projects was critical to achieving the outcomes, and a core member noted that the employer of choice project “*had significant impact on people at the top level.* What it
"meant was an awareness that all the HR stuff connected." These comments indicate a range of successful outcomes with the implementation projects.

**Certified Agreement outcomes**

In 1998, the first vote for the General Employees Agreement was overwhelmingly defeated (over 60% voted no), due to union campaigns. Eventually, this was turned around when the union won further concessions and supported the Agreement. In June 2000, the next Agreement was narrowly defeated by a handful of votes. Under the People Strategy, the 2001 Agreement-making process was characterised by a different emphasis. Two Assistant Commissioners (ACs) were nominated to lead this process, including the researcher’s manager. They set about a new process, where they would try and build a partnership with the unions and staff through being more open, honest and responsive. The resulting vote in October 2001 was 90.85% of votes in favour of the Agreement. This was a massive turnaround on previous Agreements. It should be noted here that the pay offers by ATO management were fairly consistent for the Agreements from 1998 to 2004, at around 4% per annum, and did not have much influence on the voting processes. Since that time until the most recent agreement vote in 2009, no vote has been defeated.

**Letters to the Editor**

The researcher examined thousands of Letters to the Editor of ATO Extra, the ATO’s internal staff electronic weekly magazine, between November 1999 and June 2004. As the magazine is quite open in its publication of letters, including criticism of management, it tends to attract more negative contributions than positive ones. It is also seen in the ATO as a vehicle for discussion of controversial issues, and one of the methods to obtain answers from management. Of these, 624 letters related to management, HR or IR issues, or presented opinions that were either: negative; positive; or neutral in relation to the ATO’s desired culture. Content analysis (Krippendorff, 1994) was used to assess this. The total ratio of negative responses has fell from 80.4% in the period November 1999 to July 2000 to 45.3% in the period January 2003 to June 2004. If letters regarding the Agency Agreement issues are disregarded, then an even more substantial reduction of negative letters appears between these periods – from 71.9% to 27.3%. Since that time, another 281 letters were examined between January and July 2009 and August 2009 and March 2010. The ratio has been maintained, with 43.1% negative responses between January and July 2009 and 38% negative responses between August 2009 and March 2010. If Agency Agreement issues are disregarded, then the negative responses are 31.7% and 33.9% respectively.

**Further interviews**

In April 2010, the researcher interviewed two ATO senior executives who were involved in the original
project to confirm the evidence on sustained change. Interestingly, both confirmed that the changes had continued and had been sustained, but were not satisfied that the organization had made it yet to the original intent.

One executive noted “about 75% of the original People Strategy has been implemented” but a significant challenge remains “to move forward with a more holistic, integrated approach to people matters, and on the delivery front...a more efficient and effective HR function across the ATO” and “overall, there has been substantial growth.” This executive noted the progress with the original projects over the time since they were implemented. For example, the executive noted that in relation to the work type, employment and assessment projects, “Gains were made in capability assessment over time, the capability dictionary, linking elements of the People Strategy, the capability framework. Differentiated selection processes for various work types was a big breakthrough”. The executive also noted that the Learning and Development project had produced “big gains, including e-learning and new products. The push – pull concept was accepted. Succession planning was built into the performance systems and L&D”.

Interestingly, this executive felt that the performance project had achieved a lot of gains, but “we have not yet delivered to where we wanted to go with the performance culture. We have done the groundwork and taken it from a low base.” The executive noted considerable achievements with the wellbeing project as “Wellbeing was a great success – it is still going and we got awards for it.” The executive also noted that “Internal communications – has improved immensely”, and that “the Agency Agreement project “has been an achievement overall. From an initial hard line in the late nineties, the ATO has moved toward a more co-operative approach with unions, but applies strong business imperatives that include consideration of people issues... There has been a huge change in work conditions”.

The other executive also noted sustained changes, and in particular discussed the outcomes of the performance project. In relation to this, the executive noted that “The PDA process at the individual is more closely aligned and supports the planning process. However, all the levels are not there. This is really important at different levels. There is tension in talent and succession. People see benefit in clearly articulated principles on behavior. We have come a long way. The Reward &Recognition program is aligned. It has matured so much, but we haven’t tested the system, and it needs to go to the next level. In relation to the Engagement Survey, the performance system is positive, including its design”. Discussing the employer of choice project, the executive noted that “the ATO is well supported in work-life balance, remuneration and conditions. We are out-doing other APS agencies”. The executive also noted that with the “Agency Agreements, we are getting better at articulating the whole employment proposition, not just about money, but work-life balance, reward and recognition, etc.” and that the people system “has been
good in relation to differentiation between work types”. Overall, the executive noted that “We have come a long way. As evidence of this, the amount of contact we get with international and local agencies – we are seen as best and better practice. The APS Commissioner wants to replicate some of our strategies. The work in the late 90s was a catalyst for positioning us where we are now. The structures are in place and the system works anyway despite the problems. There are emerging aims and challenges. We have established a great foundation, positioning us for the future. We have built the infrastructure, and we can run ahead further. There is a great opportunity.”

Both executives also outlined current issues and challenges with the HR system, and were keen to see further improvements. Their comments indicate that the systemic structural foundations built with the People Strategy have been sustained and are still contributing to the performance of the organization more than ten years following the original design.

**DISCUSSION AND CONCLUSION**

The results of the systemic change processes undertaken from 1999 to 2002 indicate that cultural change has occurred in the ATO and that it has now been sustained until 2009. Evidence from a comparison of staff surveys outlined in Table 3 indicates that employee engagement has improved and been sustained. Changes to the pattern of comments in Letters to the Editor and in the voting for the Certified Agreements are indicators of cultural change. Structured interviews with executives, core members and project leaders indicate the extent of some of the changes made. The executives interviewed in 2010 agree that changes have been sustained.

A lot of these changes were not particularly ground-breaking or innovative. However, the context of the organization at the time in 1998 did not have those things in place. Significant changes that have been sustained include: the use of performance agreements, informal feedback and formal appraisals; relationship-building approach to industrial relations; the use of work types/capabilities; differentiated employment, work conditions and development processes for work types; skill and capability assessment; employer-branding; electronic learning; open communication processes; dialogue days with all senior managers; employee wellbeing programs.

Limitations to this research include the single case study design, which does not provide traditional empirical data, but does provide a recoverable process which may be applied elsewhere. There is also potentially some bias in the interviews of people, who were involved in the research and/or
implementation process. However, the breadth of the triangulated data all points towards the same conclusion that cultural change has occurred.

It is clear that much of the change resulted from the systemic approach to implementing new HR practices and that the new systems were embedded in the day-to-day practice of the ATO, and have become new norms of behavior. Whilst not all changes were the direct result of the ATO People Strategy, and those new or improved HR systems and practices implemented were subsequently further improved on over the period 2003-2009, the infrastructure initiated during the 1999 to 2002 period remains. Therefore, the contention that the implementation of a systemically designed strategic human resource management intervention can have a positive and sustained impact on an organisation’s culture is confirmed in relation to this particular case study.

References:


