Implications of Global Crisis: 
Integrate Sustainability with Organizational Culture

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Abstract

Sustainability is an issue of escalating importance as a result of structural changes of organizations which are consolidating, downsizing, merging and outsourcing as well as due to the increasing complexity and unpredictability of the external environment. Understanding, assessing and managing organizational culture can help create both stability and adaptability for organizations, thus helping supportive integration of the sustainability strategy into appropriate organizational behavior. This paper draws from review of literature on the concepts of sustainability and organizational culture in the present context of economic turmoil. The findings suggest that organizational culture moderated by leadership and trust play an important role in sustainability of organizations. A model is thereby proposed depicting the role of organizational culture, leadership and trust towards sustainability of a firm. It is also suggested that organizations can be visualized as manifestations of cultures and future organizations need to integrate sustainability with their organizational culture in order to be prepared for the uncertain socio-economic times.
1. Introduction

“The current socioeconomic system is in a state of turmoil unlike any in recorded history, thereby calling for adjustments of major importance for the meaningful development of organizations” (Darling J.R., & Heller V.L., 2009). After the explosion of liberalization, globalization, and ICT, major world economies are faced today with the phenomenon of turbulence and confusion. We hear about innumerable company-closures and countless employee lay-offs. The developed and developing nations have all been affected due to interdependence of business. The organizations of today are faced with the question of sustainability due to dual pressure of internal and external climate. On the one hand, turnover intentions, employee morale, reduced commitment levels and loyalty are a concern, while on the other hand, global economic slowdown, interdependence, costs, expectations from stakeholders and safety issues, all have a combined effect on operations of a firm. We agree with Peters and Waterman (1982), “If you are not confused, you are not paying attention.”

How do organizations sustain and adapt themselves when the world economy peaks in 2006 and falls abysmally in 2007-08 and a credit crisis of one nation spreads jitters across all others which are interdependent like never before? Confusion abounds as do proposed panaceas. With a speck of optimism emerging in 2009, this paper revisits management literature and reasserts the importance of organizational culture, something less tangible, less blatant but perhaps more powerful than other market factors (as in Porter, 1980) listed previously as essential ingredients required for the sustained success of organizations (Cameron, Quinn, 1999).

Literature Review

Empirical research has produced an impressive array of findings demonstrating the importance of culture to enhancing a firm’s performance (Denison, 1990). Organizational Culture (OC) is the key to organizational excellence and the function of leadership is the creation and management of culture (Schien, 1992). Quinn L. & Dalton M. (2009) link the field of leadership to sustainability and call for a more in-depth investigation into the roles leaders and leadership play in the successful implementation of sustainability practices. Literature also suggests that the essential ingredient of collaborative effort is
trust. High performance teams are characterized by high mutual trust among members. Leaders succeed in bringing about change because they are trusted by constituents to reflect their values and aspirations (Costigan et al., 1998).

The concepts used in this paper, that of **culture, trust, leadership** and **sustainability**, as is the case with most social science concepts, are difficult to be contained in one single definition. While there exists a vast and diverse literature supporting the meaning and measurement of culture, trust and leadership, the concept of sustainability continues to remain elusive in social sciences. Not only is there a failure to obtain a concise and universal definition (Simon B. & Stephen M., 1999), non-availability of a generalized set of indicators or measuring instruments makes it further difficult to conduct sustainability studies. Yet, scholars agree as we do, that achieving sustainability for organizations is the need of the hour which makes it one of the most relevant concept in contemporary times and needs further analysis from behavioral perspective. We address this gap by analyzing the concept of sustainability and mapping it with behavioral concepts in order to derive a conceptual model for sustainability of an organization.

2. Organizations as ‘Cultures’

While numerous definitions and dimensions exist in literature, organizational culture emphasizes a set of values to regulate and shape employee’s behaviors to respond to changes in the external environment (Schien, 1985; Geertz, 1973). Broadly, two schools of thought exist about organizational culture whether it represents something an organization ‘is’ or ‘has’. Accordingly, researchers have analyzed the concept of OC, both as a root metaphor, i.e. organizations as expressive forms, and manifestations of human consciousness (Cameron 1999; Smircich, 1983), and as an attribute, i.e. possessed by an organization and observable. This is because some researchers are concerned by what appears to them to be more fundamental issues of meaning and the processes by which organizational life is possible which is in line with the view that an organization ‘is’ culture while others give high priority to the principles of prediction, generalizability, causality, and control drawing from the view that an organization ‘has’ culture (Smircich, 1983). Both approaches share the conception of organizations as organisms; existing within an environment that presents imperatives for behavior.
We subscribe to the view that organizations can be thought of as cultures and that culture influences everything an organization does. The implications of this insight can only prove to be more useful today. After all, organizations are social entities formed by individuals whose interactions result in design of structures and processes. In order to timely adapt and redesign activities in response to the fluctuating environmental conditions, it is the organizational culture which can be harnessed to support the people and help organizations in achieving both operational and strategic goals and thus achieve sustainability. Handy(1997) argues that in order to survive, organizations need to be treated as ‘communities’ not owned by anyone and people as ‘citizens’ not employees. “Our use of old words to describe new things can hide the future from our eyes.”(Handy.1997, p 26) Apparently, he implies that future organizations in order to be sustainable need to change the way they think, feel and perceive which again refers to the organizational culture.

Schien’s (1985) model also suggests that basic assumptions are unconsciously learned and held and determine how group members perceive, think and feel. Values and beliefs are consciously embedded in individuals which they use to justify and evaluate actions and outcomes. Artefacts are the symbols, myths and stories specific to an organization. All these levels together comprise the organizational culture and are “exploitable cultural levers, extremely powerful determinants of organizational life as well as intuitively incorporated into the actions of skilled executives who use them to manage people, formulate strategy and induce organizational change” (Brown,1992).

3. Sustainability of Organization

We do not necessarily subscribe to the need to define sustainability in order to practice it, but the exercise of definitions is one useful way to examine several perspectives and to understand competing views. While exploring definitions of sustainability by Lynam & Herdt (1989), Pearce & Turner (1990), Fresco & Kroonenberg (1992), sustainability emerges as the dynamic equilibrium between inputs and outputs, modified by external events and climate (Simon B., Stephen M., 1999). Sustainable development is one that meets the needs of current generations without compromising on the needs of the future generations to meet their needs and aspirations (WECD, 1987). The Bellagio principles
for sustainable development addressed some broad issues as need for a clear definition, a focus on holism and the importance of time and spatial scales.

Sustainability, in the present context, encompasses a much broader meaning. It is proposed as a normative concept in which ethical belief systems converge to limit the moral “free space” of organizations (Gladwin et al., 1995). It goes beyond the traditional, differentiated view of corporate citizenship that treats social and environmental activities as add-on functions of the organization (Hart, 1997). The goal of sustainability is to “meet the basic needs of all and extend to all the opportunity to fulfill their aspirations for a better life (Srivastava, 1995). In fact, the future organizations are faced with the challenge of developing a sustainable global economy which the planet can support indefinitely (Hart, 1997). Each organization should choose its own specific ambition and approach regarding sustainability, matching the organization’s aims and intentions, and aligned with the organization’s strategy, as an appropriate response to the circumstances in which it operates (van Marrewijk, M., Were, M. 2003).

4. Organizational Culture and Sustainability

Research on sustainability has predominantly focused on how companies manage their relations to external stakeholders, while implicitly assuming that managers and employees accept and adopt the sustainability strategy unchallenged (Morsing M., Oswald D., 2009). However, it does not ask how such organizational support is achieved, integrated, and coordinated into organizational systems, processes and structures, in order to fulfill the sustainability promise. The decline of some of the world’s most successful companies in recent times have forced us to rethink our understanding of sustainability such that it becomes a part of the culture of an organization and reflects in everyday business practices.

While sustainability requires the full integration of social and environmental issues into the vision, values and operations of the organization (Srivastava, 1995, p 938), organizational culture emphasizes a set of values to regulate and shape employee’s behaviors to respond to changes in the external environment (Schien, 1985; Geertz, 1973). Thus, organizational culture could prove a vital point of investigation to understand how a culture of sustainability can be nurtured. This implies that there is a growing need to
explore informal and organizational cultural aspects of integrating sustainability into business practices.

Over the years, OC has been used to study several organizational phenomenon like performance, organizational climate, causal ambiguity and competitive advantage, distribution and control, job satisfaction, commitment, turnover intentions and organizational commitment, employee motivation, employee behavior, organizational change and learning, leadership, human resource practices, decision making, organizational change and effectiveness, information systems and innovation uptake and improvement initiatives like TQM (Gordon, et al, 1992; Eli Sopow, 2006; Florencia et al, 2007; Klien et al, 1995; E. S. Williams, 2007; Lucas C. & Klien 2008; Schien, 1992; Weese 1995; Rossman et al, 1988 and Detert et al (2000). Given the relatedness of OC to the various organizational performance factors as listed above, it is likely that organizational culture may find usefulness for the emerging concept of sustainability.

Organizations tend to develop a dominant organizational culture over time as they adapt and respond to challenges and changes in the environment (Schien, 1985, Sathe, 1983). Barney (1986) explored if organizational culture can be a source of sustained competitive advantage and suggested that a firm having a valuable, rare and imperfectly imitable culture enjoys a sustained competitive advantage, which, under a narrow set of conditions, is a source of sustained superior financial performance. Studies have established that change initiatives are unsuccessful unless the improvement strategies are embedded in a culture change (Cameron, Freeman, 1991). Organizational success depends on the extent to which the organizational culture matches the demands of the environment. Organizational cultural strength refers to the power or pre-eminence of the culture in affecting everything that happens in an organization.

Deal and Kennedy (1982) asserted that a strong culture has almost always been the driving force behind the continuing success in American business. They are associated with homogeneity of effort, clear focus, and higher performance in environments where unity and common vision are required. The extent to which an organization needs a strong dominant culture or balanced eclectic culture is a matter of circumstance and environment, i.e. it could be influenced by the type of industry the firm is operating in and the general global economic environment. Cultural congruence eliminates many of
the complications, disconnects and obstacles that can get in the way of effective performance (Cameron and Quinn, 1999). Hence we propose that sustainability of an organization will depend on the culture type, cultural strength and cultural congruence.

Proposition 1: Sustainability is related to the Culture Type. A Culture of Flexibility and Discretion is likely to be positively related to sustainability.

Proposition 2: Cultural Strength and congruence are likely to be positively related to sustainability.

5. Leadership, Organizational Culture and Sustainability

A central aspect of leadership is the embracement of processes in which non-coercive influence is used to direct and coordinate the activities of a group towards its objectives (Selznick, 1957). Schien (1983) describes the role of the founder of the business in creating organizational culture as the members learn to cope with external adaptation and internal integration. By exploring the non-coercive aspects of leadership, rather than looking at the individual manager’s skills and competence, and with a focus on organizational culture, we direct our attention to the creation of an environment that facilitates development of an internal environment that enables the implementation of sustainability practices. Transactional leadership motivates followers primarily through contingent reward-based exchanges (Burns, 1978), the focus is on setting goals, clarifying the link between performance and rewards, and providing constructive feedback to keep followers on task (Bass, 1985). Transformational leadership involves developing a closer relationship between leaders and followers, one based more on trust and commitment than on contractual agreements (Dong I Jung, Bruce J Avolio, 1999).

A critical basis for change toward sustainability is a leader’s introduction and discussion of sustainability principles in order to create a remarkably different concept of business, one that can restore and protect while still allowing for innovation, profitability, and meaningful work. Leaders interested in pursuing a sustainability agenda should pay attention to how the concept is framed and introduced into the organization; they should build capacity in their systems (educational, communication, rewards, performance, etc.) and culture to support sustainability (Quinn L., Dalton M., 2009). Research findings by
Patricia et al (2009) suggest that five reflexive abilities (combination of emotional and intellectual capacity) of systemic thinking; embracing diversity and managing risk, balancing global and local perspectives; meaningful dialogue and developing a new language and emotional awareness should be developed as core competencies. These abilities may enable leaders to develop new ways of thinking and new business models which will ensure the sustainability of their business.

This, we believe, can be transcended to the followers when the leader is perceived as representing the followers’ perceptions and values. Walumbwa et al (2005) have argued that leadership is most effective when there is a match between the perceptions and values stressed by leaders and the cognitive structures held by followers. This is in line with transformational leadership as such leaders help followers to see the importance of transcending their own self-interest for the sake of the mission and vision of their group and/or organization (Jung, Avolio, 1999). Also, a culture of flexibility, adaptability and dynamism would logically support leadership to perform in such a situation. The congruence between followers’ cultural values and a transformational leader's attempts to build identification with a collective vision is expected to enhance self-confidence, self efficacy and self-esteem, such leaders are expected to have a strong influence on followers’ level of identification, motivation and goal achievement (Klien et al, 1995), thus helping them learn and adopt the new business models and ways of thinking as suggested by their leaders towards sustainability of their business. We, therefore propose that transformational leadership supported by culture of flexibility and adaptation will have a positive influence on sustainability of a firm.

*Proposition 3: Leadership Style is related to Sustainability. Transformational Leadership is likely to be positively related to sustainability.*

6. Trust, Organizational Culture, Sustainability

The construct of Trust since the mid 1990s has been posited as being the basis of quality interpersonal relationships and a source of competitive advantage for organizations. Trust or the lack of it explains why we don’t optimally capitalize on intellectual assets for competitive advantage (Oren Harari, 2002). Hwee Hoon Tan, Augustine K H Lim (2009) found that trust in coworkers works through the mechanisms of trust in organizations to
affect important outcomes of organizational commitment and performance. Amongst the most prominent factors of trustworthiness are the trustee’s ability, benevolence and integrity (Mayer et al, 1995). The leader, supervisor, co-workers, suppliers, clients can all serve as a referent for trust.

Trust has also found to emerge as a dominant theme within the culture that influences the group’s learning to change (Driver, 2003). Effective organizational learning is necessary for implementing the drive towards sustainability. As organizations attempt to cope with an environment that is changing at an ever-increasing rate, they struggle to learn the changes required (Schein, 1992). New methods of solving problems or learning often do not get integrated or institutionalized by the organization if groups have difficulty learning. Organizations display "learning disabilities" or "defensive routines" that hinder the learning and development required. Edmondson (1999) found that the most salient factor influencing team learning was psychological safety (a climate in which group members believe that they can speak openly about mistakes without fear of negative repercussions). The organizational change requires that both, trust in competence and trust in intentions, become a part of the culture (Lucas, Kline, 2008). Hence, trust in organizations is expected to play an important role in sustainability of firms.

The human and the innovation oriented organizational culture from Quinn’s (1985) competing values model encourages commitment, participation, teamwork, structural flexibility and problem solving and these values have been attributed to positively cultivate higher trust in the workplace (Argyris,1964). High subordinates’ trust relates positively to the extent to which employees perceive that they are empowered, from empowerment to work, trust must first be nurtured so that employees will have no fear of experimenting with new ways of doing things (Chan, Taylor, Markham, 2008). Thus, psychologically empowered employees are motivated to reciprocate the organization with their behavior by choice while implementing interventions of sustainability. We, therefore, propose that sustainability is related to trust.

**Proposition 4:** Sustainability is related to Trust in Organizations. Trust with respect to various referents of the firm as well as at individual level (trust in competence and trust in intentions) is likely to be positively related to sustainability.
7. Leadership and Trust as Moderators

A moderator variable is one that influences the strength of a relationship between two other variables, and a mediator variable is one that explains the relationship between the two other variables. In our model, we suggest that an appropriate organizational culture will be positively related to sustainability of the organization, however the leadership style and the trust factor will act as moderators and influence the strength of this relationship. If we remove the effect of the mediator variable, the relation between the predictor variable and the dependent variable disappears (Baron, & Kenny, 1986). Since OC is a organization wide phenomenon and composed of several other dimensions, it may not be right to assume that removing the leadership style or the trust factor would lead to a system collapse and the relationship between culture and sustainability will disappear. Hence we have considered them as moderators not mediators. “In the more familiar analysis of variance (ANOVA) terms, a basic moderator effect can be represented as an interaction between a focal independent variable and a factor that specifies the appropriate conditions for its operation.” (Baron, & Kenny, 1986 p. 1174)

Accordingly, we argue that in the presence of a strong leadership and high trust amongst various referents of the organization, an appropriate organizational culture is likely to enhance sustainability of an organization. Thus, leadership might be a moderator variable, in that the relation between OC and sustainability could be higher for strong leadership and less for a weak leadership. In most professional organizations of the modern world, leadership changes more often than it used to happen earlier and systems are in place
where individuals perform their roles objectively, we therefore, argue that it may not be valid to consider leadership and trust as mediators to explain why there is a relation between organizational culture and sustainability. Organizational Culture envelops the entity of the organization as a whole and one could argue that it is also composed of the factors influenced by leadership and trust. This is the reason why we have preferred to use these two variables as moderators. In quantitative analysis, one could argue that this interdependence will lead to the problems of multi-dimensionality. Nonetheless, the concepts of organizational culture, leadership and trust are very crucial for the sustainability of organizations and need to be given more practical considerations.

**Proposition 5:** The configuration of trust amongst various referents of the organization and leadership styles, both moderate the relationship between organizational culture and sustainability.

**8. Conclusion**

Sustainability is rooted in something deeper, something beyond superficial explanation (Denison D., Colleen L., Ward, J.L., 2004) and is difficult to be explained by terms like capabilities, competence building, competence leveraging, decision making, closing strategy gaps between the perceived and the desired states of any of the firm’s elements (Lewis D., 2002). The question is who is responsible for developing all this and leadership or CEO or top management may be the answer. However, in the current business scenario, neither the external conditions, nor the internal profile of an organization is constant. Hence there is a need for the organization to nurture a strong and appropriate organizational culture which promotes flexibility, adaptability and is moderated by the right leadership and trust amongst various referents of the organization. There is a need create a remarkably different concept of business- which can restore and protect interests for all stakeholders of the business and yet allow for innovation, flexibility and profitability. Organizations need to develop a culture wherein sustainability principles are introduced and discussed and understood.
9. Implications for Future Research and Practice

Organizations are increasingly trying to work out means to ensure their sustainability in present uncertain times. Also, more research is being carried out to develop theories and paradigms for sustainability. The model proposed could add value in understanding how the principles of sustainability can percolate through the organization. Empirical research can be carried out to examine the validity of the model. Further exploration of the concept of organizational culture and to enhance its utility in contributing to the sustainable development of organizations is suggested.
References


