Culture Eats Strategy .... And how to deal with it!

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What are we going to talk about?

• What is this thing called culture and why are firms so concerned about it?

• Why is culture so important to the firm and to the supply chain?

• How do we make culture into a competitive weapon?

• A final story to show the power of culture!
Why are we so focused on culture!!

JCPenney

Failure: Culprit Culture
Why are we so focused on culture!!

• GM and its handling of the problems with defective ignition switches.

• A company tries to change strategic focus
  – From lean to innovation.

• An outsourcing decision gone wrong.
Culture eats strategy for breakfast
Why does Culture eat Strategy?

• Can outlast your management initiatives.

• Understands how to play the game:
  • Can use metrics and measures against you and your strategy!
  • The organization meets the numbers but not the spirit!

• Can act as a filter to information.

• Can work to rule!
Lets get rid of organizational culture!!!

Corporate Culture
Culture is important

- Culture offers important, real benefits:
  - Installs value, norms and acceptable goals.
  - Allows firms to operate and succeed during periods of change.
  - Reduces the need for micromanagement by top management.
  - Helps influence the “moments of truth”.
What do the following organizations have in common?
Importance of Culture

Culture is to the organization what friction is to us everyday.
What is culture?

• What the employees do when the boss is not around!

• The shared values, beliefs, and principles that are present in the organization.

• Focuses on two major issues:
  – What is important to the organization
  – How to achieve these objectives/goals
What is culture?

• A learned behavior!
The great Irony!

Strategy and Culture are interested in the same things!!!
How can we get the two to work as one!

Strategy
Building the linkage between Strategy and Culture

• Understand first if we are dealing with resistance or obstruction
  – Resistance – lack of knowledge
  – Obstruction – purposeful resistance

• If resistance
  – See if past initiatives have failed and why
  – Deal with past failures
  – Educate

• Traditional approach
Key to Strategy/Culture Clash

• Assess the type of culture you currently have in place.

• Do you have a “what” culture or a “how” culture?

• These are archetypes of cultures
“How” Culture/Procedurally Oriented Culture

• The focus begins with the how.
  – Very procedural orientation.

• When the customer requirements don’t fit, we tend to want to change the customer or we drop the customer.

• When a new development or procedure challenges or threatens to replace existing procedures, they are ignored.
“How” Culture

• Tends to emerge when:
  – Supply chain related groups are isolated from or unaware of who the “key” customers are and what they want.
  – The rate of change within the industry is very slow
    • “slow” clockspeed.
  – There is little prolonged competition.
  – The firm is used as a benchmark within the industry.
A Story from the Auto Industry
Most likely to develop in Naïve JIT settings
“What” Culture/Goal Oriented Culture

• Here, the focus is on the goal of the organization.

• Procedures are regarded as semi-rigid
  – Used if relevant; changed when found not to be appropriate.

• Procedures are driven by the goals and objectives.
“What” Culture

• Most likely to occur when:

  – Supply chain related groups work closely and on an on-going basis with the “key” customers.

  – Rate of change is fast, with new developments continuously being introduced.

  – High levels of competition.

  – New ideas from new people coming into the groups.
Examples of “What” Culture

Improvise, Adapt, and Overcome
Examples of “What” Culture

LINCOLN INDUSTRIAL
Striking the “right” balance

Strengths
- Customer focus
- Quick Response

Weaknesses
- Inefficient
- No organizational learning

Strengths
- Efficiency
- Facilitates Org Learning re processes

Weakness
- Suffers from Procrustes Bed Syndrome
- Rigid
Culture within the Supply Chain

- Culture important within the firm; Culture critical within the supply chain.

- Especially important when dealing with critical components or services.

- First and most important determinant of the success of long-term relationships:
  - Culture
    - Robert Spekman (University of Virginia)
• Within the supply chain, how a partner solves a new problem that they encountered is often most influenced by their culture, not your expectations or needs!
How to transform culture into a competitive weapon

• Assess the type of culture you currently have.

• If you have a “how” culture, prepare for change:
  – Move people in and out from different groups and, if possible, different organizations.
  – Expose the people to the key customers.
  – Discredit the current methods/procedures (if appropriate).
  – Have a crisis.
  – The value of one or two public executions.
How to transform culture

- It takes time to change culture.

- Requires leadership, not management
  - Managers work within culture; leaders work on culture.
    - Edgar Schein

- Be prepared to lose/fire people.

- Don’t rely on metrics and measures.
Understand the ultimate power!

An army of ants
Driven by a
Shared vision!
Key Points

• Culture is often misunderstood, treated as a constraint or random element.

• Culture is critical to the organization and the supply chain.

• For culture to be a competitive weapon, introduce elements of the “what” organization, avoid too much of the “how” system.
Key Sites/Resources


• Hanson, J.D., & Melnyk, S.A. 2014. “Culture Eats Strategy… and how to deal with it.” *Supply Chain Management Review*. July/August.

Questions