# CONTROL AND ORGANIZATIONAL CULTURE: GOAL ALIGNMENT

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## ABSTRACT

*This article considers the theoretical aspects of organizational culture and management control. The article contributes to a better understanding of the impact of culture on control, specifically, for ensuring goal congruency. The discussion highlights the need for managers, and scholars, to pay greater attention to organizational culture to ensure goal alignment in the organization.*

**Keywords:** Organizational Culture, Cultural Control, Goal Alignment.

## INTRODUCTION

Control plays a crucial role in all management systems. It is considered essential to promote stability and order and ensure efficient and effective resource allocation aiming to achieve the objectives of the organization. Although control is a term widely discussed, in different areas of managerial and organizational sciences, there isn't a consensus regarding its meaning and *"there are as many definitions of control as there are theorists"* (Flamholtz et al., 1985).

Organizational culture, like control, has become a central concept in the business arena and, also lacks a universally accepted definition. It is important to reiterate that although both culture and control are subjects widely discussed in managerial (and other) fields, there is little work regarding how both these concepts interact also noted by Berry et al. (2009). The objective of this paper is to study that overlap through the lens of the main cultural schools of thought, aiming to radiating throughout different fields of social science aiming to uncover the linkages between both culture and control, focusing on organizational goal alignment. This paper reflects on how these two concepts overlap and interact, specifically in regards to organizational goal alignment. In this sense it aims to contribute to the knowledge and learning of these concepts.

The paper begins with the focus on managerial control, discussing the main schools of thought on this area. This is then followed by the analysis of what is organizational culture, and the search for linkage between both these concepts is explored in section 4. The paper finalizes by reflecting on the impact of the findings focusing on how these can affect both students learning these concepts as well as practitioners and firms applying them. Suggestions of future avenues of research, concludes the paper.

### Control

There are two main schools of thought regarding management control. There is a stream of authors who have opted for a managerial approach and another group which have chosen a pluralist orientation. The managerial approach is mainly based on the classic cybernetic model of

control in which the centre stage is given to promoting organizational order and stability (Otley & Emmanuel, 2013). The pluralist school of thought, on the other hand, defends a more active concept where control is seen as rising from the interaction of all the members of the organization and emphasis is given to the process of adaptation and learning. Both these views can be taken together to study control in an organization, enabling an analysis in a more realistic scenario (as postulated by the pluralist approach) and simultaneously resorting to the traditional processes to promote stability and order. The adopt an integrated view regarding management control systems (Goebel & Weißenberger, 2017).

The classical notion of management control is seen as a formalized system based on a cybernetic approach. Although some authors, distinguish between control from the ex-ante activities many others defend that the term should *"cover both the feedback and the feed forward (anticipatory) connotations and thus include both planning and control"*, (Otley & Berry, 1980). Whichever the approach, control is defined as the process which leads to efficient and effective resource allocation aiming to achieve the organization's objectives.

This article adopts the classical framework presented by Otley & Berry (1980). Cybernetic in nature, the authors highlight four main conditions as essential for control are that the organization must have: (i) an objective, (ii) a form of measuring the results, (iii) a predictive model and (iv) a choice of alternative actions. In the search to uncover linkages between control and culture this article will focus on the key aspect (i) the organization must have an objective, to analyse the role culture can play in organizational goal alignment.

## Organizational Culture

Two important but somewhat distinct approaches of organizational culture in the organizational studies field have arisen: firstly, the perspective that an organization has culture and, secondly, the idea that an organization is culture. Both reflect different assumptions about the concept of organization in general, and about the process of organizing.

Considering Morgan's (1997) metaphors, the first approach tends to be associated to a more mechanistic or machine-like metaphor to organizations, whereby what is important is to set up a specific frame of work that maximizes organizational performance. In this sense, culture is seen as a rational and structured means to achieve pre-established organizational goals, where members have to behave in certain desirable ways. Still, the initial approach can also portray the organization as an organism which survives due to its constant exchanges with the external environment, satisfying its internal needs. Although in the organism metaphor culture is not seen in such a rigid and formal way as in the machine metaphor, it is seen as something external (Morgan, 1997).

The second approach, that an organization is culture, serves as an organizing metaphor between the concepts of organization and culture. In this position, *"culture is not something that can be imposed on a social setting rather it develops during the course of social interaction"* (Morgan, 1997).

There are, therefore, two basic interpretations as to the meaning of the concept of culture: *"as a critical variable and as a root metaphor"* (Smircich, 1983). The first sees culture as something the organization has where as in the latter it is understood as something that an organization is (Mouritsen, 1989).

**An Organization has Culture**

This approach is influenced by the functionalist paradigm, widely popular in the decade after WWII in sociology, social psychology and applied information science (Burrel & Morgan, 1979). Being this paradigm positivist in nature, the desire to quantify and measure (Schein, 1991) leads to a view of culture as something reified and prone to be objectively studied (Martin & Meyerson, 1988; Schein, 1991). The basic assumptions are that the social world is made up of general and contingent relationships in the form of variables, which need to be examined using specific, structured, objective tools. It is the study of the *"patterns of relationships across and within boundaries"* that will lead us to the understanding of organizational culture and, in general, organizational life (Smircich, 1983).

At a very basic level, culture can be defined as a *"pattern of shared basic assumptions"* (Schein, 1991), that a group of individuals develop in order to seek adaptation to the exterior world and integration of its internal dynamics. These assumptions are mainly a result of experiences with positive outcomes that, due to their success, have become strong and perceived as valid, desirable and correct ways of thinking, feeling and acting (Schein, 1991). They reflect a set of norms, values and beliefs that members are encouraged to conduct in a specific organization, and they help identify an individual as part of that organization. Culture is often defined as the glue that holds an organization together which persists in the form of rituals, symbolic actions, shared beliefs or myths (Smircich, 1983).

Generally, the concept of organizational culture in this approach has several implications as portrayed by Schein (1991). Firstly, the notion of stability: it is something that tends to persist over time even in the presence of pressures towards change. Secondly, the idea of sharing: culture reflects the sharing of perceptions, cognitions, feelings and experiences that even new members learn remarkably quickly. Thirdly, the patterning dimension of culture: there are visible regularities among members of a specific organization that perpetuate over time. In addition, the idea that culture implies dynamics: culture is not seen as something static, it influences the way people act. Still, culture implies all aspects of group life-it affects people's daily lives in virtually everything they do: the way they act, dress, talk, etc.

The whole concept of culture is regarded important in this approach as it is a means by which the organization survives and delivers the desired outcomes. Culture, being in this approach the glue that confers consistency to all organizational beliefs, norms, values and codes of conduct, plays an important role in organizational life. It defines a *"system of standards or rules for perceiving, believing, and acting that one needs to know in order to operate in a manner acceptable [to a specific organization]"* (Ouchi & Wilkins, 1985).

Consequently, culture is seen as an important means by which organizational members are led to generate acceptable behavior in the organization. It can be regarded as a tool which shapes beliefs and behavior of individuals and can serve to influence employee participation and morale (Ouchi & Wilkins, 1985). In this sense, this approach believes that organizational culture can be systematically changed by the management, in order to pursue its objectives such as higher productivity, lower absenteeism, and increase motivation, amongst others (Martin & Meyerson, 1988). Therefore, culture influences the way people relate to one another, because they share the same values, act in similar ways, speak the same language within the organization, etc., having organizational culture a homogenization effect on procedures and behaviors.

The 'organization has culture' approach entails assumptions that should be accounted for. Firstly, it considers the members of the organization as passive receptors of culture, regarding culture as something that can be taught and learnt. Consequently, individuals are not seen as culture vehicles or as active constructors of organizational culture; instead, it is regarded as something somewhat external to them, which they abide to in an almost deterministic manner. Another implication is that culture is viewed as something independent to the members who constitute the organization: it is visible, touchable, measurable, and autonomous (Smircich, 1983). People become aware of it and start acting according to the organizational culture having little participation in it. Still, organizational culture is seen as an asset to be managed by superior hierarchies in order to ensure certain types of behavior, shaping the conduct of organizational members (Martin & Meyerson, 1988). It believes that culture is *"subject to human attempts at manipulation"* (Ouchi & Wilkins, 1985) and, consequently, is regarded as a dependent variable or attribute that can be used to control and influence organizational life. It is considered an important instrument to use for enhancing and reinforcing organizational performance and effectiveness. This approach enhances studies revolving cultural levers which are organizational processes that management can use to alter or sustain existing cultures (Young, 2000; Warrick, 2017).

Another implication of comprehending culture as a critical value is the consideration that the organization and culture are necessarily two separate entities whereby the latter is confined to a set of predefined boundaries and only exists inside the organization (Ouchi & Wilkins, 1985).

## An Organization is Culture

This approach is largely influenced by the interpretive paradigm (Burrel & Morgan, 1979). Its main presumption is that organizational culture is a system which influences and is influenced by organizational life (Smircich, 1983). What is important is not merely the sharing of beliefs, norms, values and rituals, but also the negotiation process by which individuals relate to one another in an organizational setting. It regards the members as active constructors and sense-makers of what goes on in their organizations by acting, reacting, sharing and cooperating with fellow members. This process of social construction or shared transactions simultaneously constitutes and shapes the meanings underlying in people's lives (Rosen, 1991).

In this perspective, culture is seen to develop *"over time through the shared, accumulated experiences of members of any social grouping, giving rise to such system specific elements as assumptions, ideas, values, and norms"* (Geertz, 1973). Culture comes into sight from the action of organizational members through their sense-making and interpretation processes of the organizational world; also by acting, members transform and recreate the latter (Rosen, 1991). The logic is that culture is not an entity that exists per se, independent of the members who constitute the organization, quite the opposite: it is *"a particular form of human expression"* (Smircich, 1983) which shapes meaning of aspects vital to the very existence of organization.

This approach considers that it is vital to analyze the symbolic universe by which organizational members act and think influenced by their shared understanding of the organization. Culture is enacted through the subjective and active process of sense-making. It is through experience that the complexity is understood, that the chaos is sorted *"into items, events, and parts which are then connected, threaded into sequences, serially ordered, and related"* (Weick, 1979). Consequently, culture lies within the organization's members. It does not pre-exist independently; it is socially constructed and reconstructed, influencing and being

influenced by all aspects of organizational life. A core assumption is that organizations are themselves cultures: their essence are the people who construct and reconstruct meaning, share and produce knowledge, act and interact with others, discuss and negotiate understandings. This is fundamentally the nature of culture: it is enacted and emerges within the social interaction of organizational members, therefore a result (Lorsch & McTague, 2016).

## Culture and Control: The Organization Must have an Objective

The underlining idea is that organizations are created for a purpose. In the formative stages of the organization and due to the frequent interaction between the members the aim is quite clear. However, as the organization grows, explicit definition and clear communication of its objective(s) becomes more important. In this stage, organizations tend to resort to company mission values and credos to formalize and convey the belief system throughout the organization (as well as to external parties). Many authors define culture as the set of rules and standards which state what members should and should not do (Schall, 1983). This falls in the domain of the first two levers of control as presented by Simons (1994): the beliefs system and the boundary system, respectively.

The beliefs system is the first lever of control. It is defined as the *"explicit set of organizational definitions that senior managers communicate formally and reinforce systematically to provide basic values, purpose, and direction for the organization"* (Simons, 1994). The first lever of control aims to guide, inspire and motivate the members of the organization in accordance to what they can and should do. The boundary systems, the second lever of control, act as a form of limiting the members' scope of action by establishing what members should avoid doing. Therefore, *"working together these two levers create forces of yin and yang"* (Simons, 1994). Beliefs system enables management to inspire and guide members in their search for value creation, whereas, the boundaries systems delimits the organizational space where the search can be undertaken. Both these levers are compatible with notions of culture. On the one hand, beliefs systems are created as symbols and encompass organizational ideals and norms. On the other hand, boundaries systems, as a form of disciplining member behaviour and are created (act upon) by the organizational culture. Free & Macintosh (2008) used these levers presented by Simons (1994) to study the role that culture played as a control and the impact in the context of a given firm (Enron).

In reality, the objectives of an organization are but a sum of the aims of the members that constitute it. The founders of the organization play an important part for it is they who primarily define the organization, its role, and its objectives. Nonetheless, the *"holographic diffusion"* (Morgan, 1997) of culture means that no single element or group can directly control culture: it is socially constructed where all organizational actors are directly involved (Berger & Luckman, 1967). Consequently, according to Meek (1988), in order to study cultural aspects, one must observe, describe and try to understand the interaction of people in general (not only the founders or leaders) and their perception of social reality. Therefore, it is vital to understand how members interact.

In doing so, one observes that the members' objectives can be in line, in conflict with or neutral, towards the organization's objectives. Etzioni (1975) defines these situations by categorising organizations into different types according to each of the three possible situations mentioned. The first type, normative organizations, encompasses a larger consensus and commitment of the members to the objectives of the organization. The opposite case is defined as prevailing in coercive organizations, whereas in the instrumental organizations lies the middle

term. The majority of corporate realities fall into the latter type of organization, where the problems *"obtaining cooperation among collections of individuals or units who share only partially congruent objectives"* (Ouchi, 1979).

Ouchi (1979) presents three mechanisms: markets, bureaucracies and clans, which help organizations to solve that key issue. The set of formal or informal mechanisms used in organizations to regulate the members' activities can be defined as controls (Etzioni, 1975). The organization has various types of controls yet considering the aim of this article the cultural controls will be highlighted. Ouchi (1979) defends that clans, a form of cultural control, are the most efficient in aligning goals between individuals. The clan mechanism to attain goal congruency is the most complex because it demands *"social agreement on a broad range of values and beliefs and it requires a high level of commitment on the part of the individual to those socially prescribed behaviours"* (Ouchi, 1979). In this sense, the clan mechanism, as all cultural controls, can be taken as being organizational culture (Drury, 2013), therefore culture is understood as a control, as applied by Dumay & Di (2017).

The competing values model also highlights the use of cultural controls. The competing values model defended by Quinn & Kimberly (1984) presents four different types of organizational cultures. *"This model assumes that it is not different sets of values which give rise to different organizational cultures but varying emphasis on the limited set of values prevalent within the larger society"* (Bhimani, 2003). The four types of cultures result from crossing two value dimensions: flexibility/control and internal/external. Flexibility/control axis ranges from emphasising stability to flexibility in relation to change. The internal/external axis ranges from the attention given to the individual within the organization, to the organization itself. From the crossing of these two dimensions arise the four cultural types of organizations: group, hierarchical, rational and developmental.

The group culture has an internal focus where objectives are implemented through a consensus, and where cohesion and flexibility are key characteristics. Therefore, an organization in this setting will tend to resort to cultural controls as the fundamental mechanism to promote and maintain consensus in organizational goals, in line with the clan mechanism presented by Ouchi (1979).

Culture is essentially a process of reality construction that enables organizational members to understand events, actions and situations of organizational life in specific ways. Such a process, being social in nature, equally enables organizational members to produce and preserve shared responses and shared experiences. Consequently, members of a particular organization tend to hold certain common ideologies through collective experience and reproduction of social interaction. It is through this social interaction that people construct a sense of identity within the organization, backed up by the sharing of particular beliefs and traditions (Trice & Beyer, 1993). Keeping in mind that human organization cannot be totally insulated neither from its members neither from its social-cultural environment (Inzerilli & Rosen, 1983), it is important to study the impact of that context, on control systems in general and on the establishment of organizational objectives, in particular.

When analysing the social context as a pool from which future members will be chosen, the environment is seen as a force which can, therefore, directly influence the organization. On the other hand, the dominant values and social norms which envelope the organization indirectly influence it.

Schein (1992) presents three main sources from which culture springs: the thinking, principles and assumptions of founders of organizations; the learning experiences of group

members as their organization develops; and the new beliefs and assumptions brought by new members and leaders. Therefore, it is important to study how individuals become members for this plays an important role in forming the relationship between the members and the organization takes.

In the majority of business corporations, entry is voluntary and in the western world is defined in contractual terms. On the other hand, in Japanese companies where the organization is seen as a family, the individuals, after becoming members, are part of that family. This type of culture is defined by the competing values model, as a group culture (Quinn & Kimberly, 1984) The two cases presented imply different types of controls in order to align members' and organizational objectives. Accordingly, in Japanese organizations, affiliation is seen as commitment to the organizational goals where, like in a family. As a result, the cultural based controls are predominant. Therefore, the national culture in which the organization is set plays a role on goal congruency, as was shown by Jayantilal et al. (2015), with regards to the Indian economy.

## CONCLUSION

The use of cultural controls decreases the need for other controls and these are less costly, and produce less harmful side-effects than other types of controls. Although the Western World recognises the advantages of using cultural controls, by resorting to contractually defined commitment, *"it implicitly assumes that performance contributions would not be forthcoming in the absence of material inducements"*. However, this doesn't imply that cultural controls are not used but rather that they are not the predominant mechanisms adopted to decrease goal incongruity. This article hopes to have contributed to a renewed interest for managers as well as researchers in the study on organizational culture in control systems.

This paper focuses in exploring linkages between control and organizational culture, deepening the knowledge and learning of the interaction between those two concepts, highlighting the role that interconnection can play in terms of goal alignment in an organization.

Future research could broaden the scope by studying other aspects of managerial control that might have linkages to organizational culture such as type of measurements employed, and/or how diverse predictive models are used.

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