

Pooling Strategy And Culture Together For Long-Term Success

Pierre Hadaya and Tamara Highsmith

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Article abstract

As sources of competitive advantage, strategy and culture are both essential to the long-term success of any organization. Yet, more than 50% of strategy endeavors are considered failures and more than 80% of organizations believe that their culture needs to be improved. Additionally, strategy and culture are perceived as two distinct propositions to improve organizational value by many executives, directors, and entrepreneurs, which means they compete for the same scarce organizational resources. The objective of this article is twofold. First, to define strategy and culture and identify the commonalities and differences that exist between the two concepts. Second, to show that strategy and culture, and the management thereof, influence one another and explore how this dual influence can be leveraged to create a unique competitive advantage to ensure the organization's long-term success.

Pooling **STRATEGY** and **CULTURE** Together for Long-Term Success

BY PIERRE HADAYA AND TAMARA HIGHSMITH



As sources of competitive advantage, strategy and culture are both essential to the long-term success of any organization (Coyle, 2018; Strategy&, 2019). Yet, more than 50% of strategy endeavors are considered failures (The Economist Intelligence Unit Limited, 2013) and more than 80% of organizations believe that their culture needs to be improved (Graham et al., 2022). Additionally, strategy and culture are perceived as two distinct propositions to improve organizational value by many executives, directors, and entrepreneurs, which means they compete for the same scarce organizational resources. The objective of this article is twofold. First, to define strategy and culture and identify the commonalities and differences that exist between the two concepts. Second, to show that strategy and culture, and the management thereof, influence one another and explore how this dual influence can be leveraged to create a unique competitive advantage to ensure the organization's long-term success.

“STRATEGY AND CULTURE ARE THE TWO MOST IMPORTANT FACTORS IN THE LONG-TERM SUCCESS OF ORGANIZATIONS.”

STRATEGY AND CULTURE: DEFINITION AND COMPARISON

There are numerous definitions of strategy, yet despite their differences, most definitions have three important commonalities (Hadaya et al., 2023). First, strategy is about creating value and gaining an advantage. Second, choosing a strategy entails making decisions that reduce possibilities and options. Finally, the choice of a strategy will determine how the efforts and resources of an organization will be deployed. Based on these commonalities and the different stakeholders to which strategy relates, we define strategy as:

The high-level guidelines that an organization adopts to guide its behavior to create a unique mix of value to its stakeholders while enabling itself to set itself apart from its current and potential competitors in a positive way. If the organization is not currently able to comply with a guideline, then behaving in accordance with it becomes a goal. Whether these guidelines are designed at a specific time or over time, they determine how the resources of the organization will be deployed in time (adapted from Hadaya and Gagnon, 2021, 2017)


A complete strategy has four complementary components: values, mission, vision, and stakeholder value propositions (Hadaya and Gagnon, 2017). *Values* are principles or standards of behavior that are important to the organization. They position the organization by representing its beliefs and how it wishes to behave. The *mission* is an actionable statement that identifies the purpose of the organization. It positions the organization, implicitly or explicitly, in one or more industries and specifies what the organization aims to do within these industries. The *vision* is a

concise, inspirational statement that defines the organization's desired long-term state. It represents a goal, "an aim or desired result" (*New Oxford American Dictionary*).

The last and most crucial component, *stakeholder value propositions*, comprises four complementary sub-components (Hadaya and Gagnon, 2017):

- The *owner value proposition* describes the value the organization aims to provide for its owners to justify their participation in its ownership.
- The *customer value proposition* outlines "the unique mix of product and service attributes, customer relations, and corporate image that a company wants to offer. It defines how the organization will differentiate itself from competitors to attract, retain and deepen relationships with targeted customers" (Kaplan and Norton, 2000, p. 53).
- The *partner value proposition* details the benefit the organization aims to provide to those who contribute to the organization's customer value proposition (e.g., suppliers, distributors, wholesalers) to justify the time and money they invest to build and maintain a relationship with the organization.
- The *employee value proposition* recounts the set of associations and offerings provided by the organization in return for its employees' work, skills, capabilities, and experiences.

Culture is the tacit social order of an organization: It shapes attitudes and behaviors in wide-ranging and durable ways (Groysberg et al., 2018). Organizational culture is usually defined as "the set of shared, taken-for-granted, implicit assumptions that a group holds and that determines



how it perceives, thinks about and reacts to its various environments” (Schein 1996, p. 336). It also can be thought of as:

The pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. (Schein, 1988).

An organization’s culture has four generally accepted attributes: it is shared, pervasive, enduring and implicit, and is distinguishable in three areas: artifacts, espoused beliefs and values, and basic underlying assumptions (Schein, 2016).

“ A GOOD WAY TO SHOW THE DUAL INFLUENCE OF STRATEGY AND CULTURE AND EXPOSE HOW THEY CAN BE LEVERAGED TO CREATE A UNIQUE COMPETITIVE ADVANTAGE TO ENSURE THE LONG-TERM SUCCESS OF THE ORGANIZATION IS THROUGH THE USE OF THE STRATEGY SYSTEM.

Artifacts are phenomena, such as structures, processes and even dress codes, that are seen, heard, and felt when encountering a new group. As such, this superficial level of culture is both easy to observe and very difficult to decipher. Espoused beliefs and values include ideals, goals, values, aspirations, ideologies and rationalizations (which may or may not be congruent with behavior and other artifacts). Finally, basic underlying assumptions are unconscious, taken-for-granted beliefs and values that determine behavior, perception, and values.

The descriptions above, and what they imply, highlight four commonalities between strategy and culture. First, strategy and culture both relate to the values, beliefs and behaviors of the employees of the organization. Second, anchored on these values, beliefs, behaviors, and more, strategy and culture both provide great value to the organization and, when well-built may also provide a competitive advantage to the organization. Strategy and culture are

the two most important factors in the long-term success of organizations.

Third, both strategy and culture influence how the organization functions. As a matter of fact, to maximize its organizational performance, the operational model (i.e., how the organizational functions) must be aligned with both the strategy and culture of the organization (Coyle, 2018; Hadaya and Gagnon, 2021). Fourth, because of the previously mentioned commonalities, strategy and culture efforts should be led by the most senior leaders, yet both require the engagement of everyone within the organization to ensure success.

Despite the apparent overlap, strategy and culture remain distinctive and complementary management tools. First, strategy aims to provide value to four different groups of stakeholders –

owner, customers, partners, and employees – while culture relates and aims to provide value mainly to employees. It is important to mention here, however, that some organizations, such as Toyota, have been able, through significant investment in time and money, to extend their culture beyond their borders to include their supply chain partners (Liker, 2020).

Second, positioned on the push-pull dimension, strategy is more of a “pull” approach. It acts as a compass towards which the organization can aim to create value and hopefully provide a competitive advantage. Culture, in turn, is more of a “push” approach. It acts as a propellor on which the organization can rely on to move forward. Put another way, strategy is about intent and ingenuity, while culture determines and measures desire, engagement, and execution (Rick, 2013).

Third, positioned on the simple/explicit-complex/implicit dimension, a strategy should be simpler and more explicit than a culture. Indeed, although not necessarily simple, a strategy should

be as simple and explicit as possible to ensure buy-in and reap maximum benefits. Because it represents a bundle of visible and invisible values, beliefs, behaviors and assumptions embedded in the organization that continuously grows over time, culture is in the realm of the complex and implicit. As a matter of fact, it is this complexity and implicitity that renders culture a source of competitive advantage.

Fourth, on the deliberate-emergent dimension, a strategy tends to be more deliberate than culture. Indeed, although a culture, to a certain extent, can be planned and parts of a strategy may emerge, as Mintzberg *et al.* (1996) clearly denote in their example of Honda, the complexity and implicitness of culture makes consciously and deliberately devising values, beliefs, behaviors, and assumptions a challenging task.

Finally, values, beliefs, behaviors and assumptions play a different role in strategy than in culture. In the case of culture, the values, beliefs, behaviors, and assumptions are the result of learning to cope with the problems it faces. In contrast, in the case of strategy, the values are instead used to guide the behavior the organization wants to adopt to create value for its stakeholders.

TAKING ADVANTAGE OF THE DUAL INFLUENCE BETWEEN STRATEGY AND CULTURE

There is a dual influence between strategy and structure. Indeed, because culture is a bundle of employees’ explicit and implicit values, beliefs, behaviors, and assumptions, it can have a strong impact on the behaviors or guidelines the organization adopts to create a unique value to its stakeholders (i.e., a strategy). In turn, devising and doing all that is necessary to make a strategy work is a very complex endeavor or problem of external adaptation and internal integration that is likely to lead to the development of additional values, beliefs, behaviors and assumptions that can complement the culture of the organization.

A good way to show the dual influence of strategy and culture and expose how they can be leveraged to create a unique competitive advantage to ensure the long-term success of the organization is through the use of the strategy system. The strategy system is the continuous cycle of all strategy

activities for an organization to succeed in the long-term. These activities can be conceptually divided into five groups: Formulate Strategy, Transform Organization, Execute Strategy, Engage Stakeholders, and Govern Strategy (Figure 1).

Culture is the foundation on which all stakeholder engagement activities are realized. Indeed, how the organization will get buy-in and motivate employees will depend on its culture. The engage activities influence the other four strategy activity groups. The following guidelines should be followed for the organization's strategy activities to reap maximum benefits of its culture. First, the organization should conceive and implement culture-based engagement activities. This entails understanding the ins and outs of the organizational culture as well as devising engage activities rooted in the culture as well as documenting and communicating the culture throughout the extended organization. Second, the organization should ensure that the other four strategy activities – formulate, transform, execute, and govern strategy – leverage the culture of the organization. Finally, the organization should assess the extent to which all strategy activities leverage the culture and adjust when needed.

The strategy system activities are also key for culture management. First, the organization must conceive/formulate the culture it wants to have. This is a key component of the organization's employee value proposition. Once the desired culture is conceived, the changes must be made to the operating model of the organization to favor the promoted values, beliefs, behaviors, and assumptions. Next, the operations of the organization should reflect the desired culture. Additionally, the organization should do all that is necessary to engage stakeholders in the formulation and transformation of the new culture as well as monitor results and make the necessary adjustments to the different culture management activities when necessary.

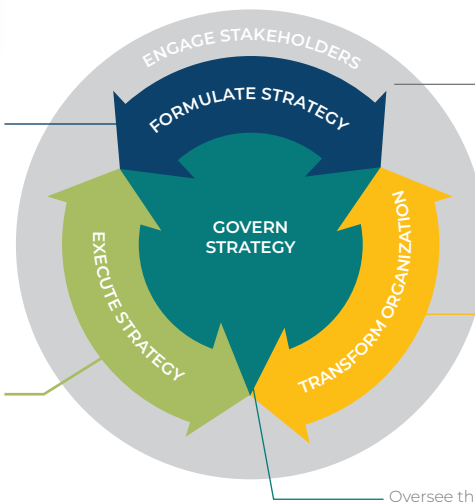
CONCLUSION

From the commonalities and differences between strategy and culture and the dual influence between the two, one can easily see that the two are inseparable and should be leveraged



Devise what the new strategy will be.

Deliver value to the organization's stakeholders, as defined by the strategy.



Do all that is necessary to get all stakeholders to commit themselves to make the new strategy work.

Transform the organization to align its operating mode with the new strategy.

Oversee the other four activity groups.

FIGURE 1: STRATEGY SYSTEM ACTIVITY. (SOURCE: IASP BOK 3.0)

as such. Indeed, using the words of Peter Drucker, culture does not eat strategy for breakfast nor does strategy eat culture for breakfast. The reality is that strategy and culture should have breakfast together.

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ABOUT THE AUTHORS

Pierre Hadaya, PhD, ASC, is a professor at the School of Management of Université du Québec à Montréal. As Co-Founder of ASATE Group Inc., Dr. Hadaya also collaborates with organizations striving to transform themselves so they can develop a competitive advantage.
E: hadaya.pierre@uqam.ca

Tamara Highsmith, MBA, is a strategy and process improvement consultant with 20 years of experience in local government, higher education and the energy industry.
E: tmhighs@gmail.com