created *emergently*. If autonomy is restricted, as when savings are expected by eliminating replication of physical or human resources, then more formal measures such as transition teams, cross-organizational senior management involvement, and employee exchange/rotation are likely to be required. But, again, Larsson and Lubatkin's research suggests that such measures are usually successful. This research runs counter to the view of some practitioners that specific planed projects to build a new organizational culture are required (Schein, 2009).

Finally, seen from the *fragmentation* viewpoint, organizational culture change is not necessarily centred within or between subcultures. It can emerge simply from unpredictable individual and group understandings of specific issues. This viewpoint highlights how culture change can emerge from, for example, the actions of whistleblowers, and the conflicting emotions and interests of leaders at all levels. The fragmentation viewpoint would allow an understanding of the development of Enron's culture in terms of shifting commitments to values for growth and personal wealth accumulation, respect, and ruthlessness, as circumstances changed over time.

Exercise 6.4

Identify an organization in which you consider that the culture has changed in the last five years. It could be where you work, or an organization you know well, or a well-known brand.

- Can this be regarded as a planned culture change? Can it (also) be regarded as emergent culture change?
- Whether deliberate or unintended, how do you think the change in culture was accomplished?
- In which ways, or from whose standpoint, has the change in culture been beneficial, and in which ways, or from whose standpoint, detrimental?

Section 4 Summary

In this section, we have:

- considered how the need for culture change can be diagnosed;
- examined types of culture change and approaches to culture change implementation;
- discussed emergent culture change.

Integrative Case Study

Culture change at Pace

Pace is a manufacturer of set-top boxes that allow reception of digital television. In 2006, when a new chief executive and HR director were appointed, Pace was close to bankruptcy. The company had debts of £30 million and was making a loss of £15 million on sales of £175 million. The HR director recalls communication being poor, 'mired in eight tiers of management' while 'engineering and sales "threw stones at each other over a high brick wall" rather than communicating or working together', hindering decision-making. According to the chief executive—who had previously been sales and marketing director—'engineers were questioning why we did things in a certain way because they weren't close enough to the customer to know what they wanted and why they wanted it'.

A key aspect of turning this around was a culture change programme. So-called 'Pace values' (passion, integrity, accountability, innovation, and appreciation) and 'Pace behaviours' (customer focus—external and internal, driving for results, leadership, communication, teamwork, and personal responsibility) were introduced. According to the HR director, focusing on customers led to the need to increase responsiveness and the removal of four of the eight layers of management. It was also decided that engineering and sales staff would work together in customer account teams rather than operate separately. She is quoted as explaining:

> Combining sales and engineering in the same team was a symbolic move. But actually it turned out to be incredibly successful . . . Staff were told they were 'jointly accountable' for delivery to the customer. (Churchard, 2010: 20)

The performance management and reward system was tailored to incentivize the desired behaviours. Each of the six behaviours was operationalized in more detail. For example, customer focus was operationalized as:

- Understands and supports our objective of putting the customer at the heart of the business
- Listens to the customer; understands and manages their expectations
- Responds appropriately, accurately and promptly to customer needs
- Develops and maintains effective customer relationships
- Thinks ahead, creating solutions to meet customer needs

(Pace Executive Committee, 2010: 11)

Assessment against the new behaviours made up 50 per cent of an employee's performance rating. Performance management also applied to members of the senior executive team, who were similarly reviewed and rewarded against the behaviours. Three 'critical success factors' for the change programme were established using the mantra 'on time, on margin and on quality'.

In 2008, following the success of these measures, Pace acquired the set-top box business of Phillips, the Dutch electronics manufacturer, for £68 million. Embedding the Pace culture at the new site was a major strategy in the takeover. At Pace, there were dramatic improvements in business performance, profitability, and employee satisfaction. The business rose from seventh place to second place in the league of set-top box manufacturers between 2006 and 2009, with revenues in 2009 of £1.1 billion.

Questions

1. Pace set out five values: passion, integrity, accountability, innovation, and appreciation. What would you need to know to establish whether these were espoused values or values-in-use? Are there other values-in-use that you can identify?
2. Can you judge whether culture change at the company was 'apparent', 'revolutionary', or 'incremental'?
3. In 2010, the leaders of Pace were certain that culture change at the company had contributed directly to radical performance improvement. Do you agree?