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Conceptual Framework for Analyzing the Fit between Organizational Strategy and Culture

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Abstract

Aim of the current article is to present a conceptual framework for analyzing strategy-culture fit and to exemplify its application for a strategic orientation towards agility. The framework is based on the notion that the implementation of strategic change programs is frequently detached from cultural analysis and change, which has led to disappointing organizational performance. This issue is approached by the developed conceptual framework in the following two ways: (1) it provides organizations with an integrative system perspective on strategy and culture, and (2) it helps revealing conflicting core values before implementing strategic change programs. The application of the conceptual framework has been illustrated for the paradigm of agile manufacturing. General implications for practice include the need for analyzing organizational culture before implementing strategic change programs and stronger involvement of human resource functions within organization development.

1. Introduction

In Organizational Sciences, there has been a long history of interest in the study of strategic orientation in organizations because of its potential influence on organizational performance. It is believed that organizations with certain strategic orientations outperform organizations that have other strategic orientations. However, assuming a direct relationship between strategic orientation and organizational performance is too simplistic. For instance, [1] have demonstrated that the relationship between strategic orientation and organizational performance depends on additional contextual factors like age (i.e. years since the organization has entered the business) and order of entry (i.e. entry in an organization's main business since the last major technological change). Thus, there is little empirical evidence for the assumption that a certain type of strategic orientation is better for organizational performance per se.

Within the field of Applied Psychology, person-environment fit theories have received considerable attention from both the individual differences tradition and the organizational psychology tradition [2]. This general concept of person-environment fit can be further specified into person-job fit (individual level), person-team fit (meso level), and person-organization fit (organizational level) corresponding to the three levels of analysis within Organizational Behavior research [3]. On the organizational level, the fit is supposed to reflect the degree to which individuals and organizations share the same set of values [4]. Thus, the more congruent individual values of, for instance, job applicants with organizational values, the better is the degree of fit. The set of values that should be shared by all organizational members across potential subcultures reflects what is understood as organizational core values [5]. Similarly to evaluating the degree to which individuals and organizations share the same set of values, the fit between organizational core values and strategic orientation requires more consideration in managing organizations. If the strategy-culture fit is good, there is cultural congruence which is supposed to positively affect organizational performance. In contrast, if a new strategic

orientation is adopted and does not match the core values of an organization, organizational performance is affected negatively [6,7,8]. Within the field of Ramp-up Management, a strategic shift from focusing on stability to agility seems to be emerging [9]. In the academic literature, agility has been already considered the new manufacturing paradigm since the nineteen-nineties and is the response to an increasingly volatile market environment which requires responsive manufacturing and the ability to change [10,11,12]. According to [10], the general idea behind agile manufacturing (AM) can be summarized as *"the capability of the manufacturing enterprise to quickly respond to the market requirements."* (p. 183). In order to enable this strategic transition for managing production ramp-up, the fit between current organizational core values and agility should be taken into consideration.

Based on the idea of cultural congruence, the present paper adopts a contingency-based perspective and provides a framework for analyzing the fit between strategic orientation and organizational culture. The framework rests upon the following two assumptions:

I.   There is no strategic orientation that is better per se.

II. The efficacy of any strategic orientation depends on fitting organizational culture.

Before the conceptual framework for analyzing organizational strategy-culture fit is presented, the following paragraphs provide a brief, non-exhaustive overview of (1) approaches to research on strategic orientation and (2) approaches to research on organizational culture. Next, the general conceptual framework is first presented and then applied exemplary to agility as strategic orientation in production ramp-up. The paper concludes by discussing implications for practice, limitations and future research directions.

2. Theoretical Background

2.1. Approaches to Research on Strategic Orientation

The study by [1], referred to in the introduction part of this paper, is based on a typology for strategic orientation including the three types (1) *cost leadership*, (2) *innovative differentiation*, and (3) *marketing differentiation*. Such typologies or taxonomies, derived either empirically or deductively, are examples for the classificatory approach in strategic orientation research.

One of the most widely known typology includes three types of strategic orientation (i.e. cost leadership strategy, differentiation strategy, and focus strategy) [13]. Depending on which strategy is mainly emphasized within an organization (e.g. costs, quality, innovation, agility etc.), it can be assigned to one of the three types of strategic orientation.

Besides this classificatory approach, there are, according to [14], two further approaches for organizing strategic

orientation: (1) *the narrative approach* and (2) *the comparative approach*. The narrative approach is based on a verbal description of strategy within a specific organization and has therefore only limited use for theory testing. The comparative approach rests upon a dimensional perspective and defines organizational strategy within each organization according to a set of dimensions on which they can be compared. An influential and widely cited comparative approach has been presented by [15] who identified the following six dimensions for comparing strategy across organizations: (1) *aggressiveness*,   (2) *analysis*, (3) *defensiveness*,   (4) *futurity*,   (5) *proactiveness*,   and (6) *riskiness*. Brief definitions of the dimensions are presented in Table 1.

Based on this approach, [14] have shown that there is a positive relationship between organizational performance and emphasizing the three dimensions analysis, defensiveness, and futurity. According to the authors, these dimensions reflect conservatism while the remaining three dimensions (i.e. aggressiveness, proactiveness, and riskiness) are associated with entrepreneurialism. Since a comparative approach is considered by the authors of the present paper as most suitable for studying strategic orientation in relation to organizational culture, the here presented framework for analyzing organizational strategy-culture fit is also based on the set of dimensions proposed by [15].

Table 1. The six dimensions of strategic orientation proposed by [15].

Dimension	Definition
Aggressiveness	Rapid exploitation and development of resources with a clear sales orientation.
Analysis	Organization's approach to problem solving and knowledge building capacity.
Defensiveness	Focus on existing domains and expertise instead of new product/ market developments.
Futurity	Long-term orientation instead of short-term planning and decision making.
Proactiveness	Organization's proactive pursuit of new products and new markets.
Riskiness	Intuitive resource allocation instead of analytical decision making.

2.2. Approaches to Research on Organizational Culture

The construct of organizational culture has received increased interest during the nineteen-eighties when it was considered explanatory for the superior performance of specific organizations. Especially the works by Peters and Waterman in 1982 and Ouchi in 1981 are well-known examples for such an *'one best culture'* approach [16]. However, representatives of this approach neglect that organizations face different challenges which are not adequately addressed by universal principles. Thus, assuming a direct relationship between certain cultural types and organizational performance is – again – too simplistic.

More promising for understanding the relationship between organizational culture and performance are contingency-based