



Culture Drives ISO Registration

Posted on: 06/01/2004

By Gerry Clarke

ISO registration is among the most desirable accomplishments a company can pursue. Adopting ISO registration improves internal processes, and usually reduces operational costs and increases sales and market share.

Companies from manufacturing, telecommunications and oil to chemical, utilities and pharmaceutical companies seek ISO registration. Some are better prepared than others. Some registrations take as little as 12 months, others 24 months and some never achieve registration. A significant reason for this difference is company culture.

Company culture describes the company, how it is managed, how it reacts to external challenges and how workers respond to their work environment. Company culture can be divided into three general categories: constructive, passive defensive and aggressive defensive. The constructive culture is the most desirable—and the least found. It is typified by an achievement motive in which individuals believe their efforts make a difference. It is an environment where creativity is rewarded, and employees continually learn, grow and develop. It has a social base in which individuals genuinely enjoy working with each other.

Constructive culture advantages

The unparalleled business advantages of a company with a constructive culture are detailed in the book, *Corporate Culture and Performance*, by John P. Kotter and James L. Heskett. The authors tracked the financial indicators of 207 companies for 11 years. When comparing companies with constructive culture vs. non-constructive culture, they found that companies with a constructive culture returned 756% more net income than non-constructive companies; they expanded their work forces 282% vs. 36%; stock price rose 901% to 74%; and revenues increased 682% to 166%. Human Synergistics International's (Plymouth, MI) research supports these numbers. A company with a constructive culture can achieve ISO registration faster than those without this culture. It will generally take about 12 months as compared to 18 to 24 months.

How important is a constructive culture to the short- and long-term performance and results of a company? Consider this example. A high-tech, Fortune 50 manufacturing company was losing \$11 million annually. A cultural assessment identified a non-constructive culture that encouraged worker boredom, dissatisfaction and work avoidance. To turn around this situation, the plant simultaneously worked on both their processes and culture. After 12 to 24 months of process and culture changes where expectations of management shifted from an aggressive/defensive style to a more healthy, effective and constructive style, cycle times reduced by 68%, work-in-progress reduced by 38%, orders that were behind schedule reduced from 2,100 to 91, and the \$11 million loss became a \$24 million annual profit. Culture change was the foundation that helped this site return to profitability. It is the same culture that will raise productivity, profitability, morale—and help achieve ISO registration.

If the cultural assessment reveals a non-constructive culture, company management must know the ramifications. It is often recommended that several months be spent examining the culture and working to improve it before beginning the ISO registration process. This can be painful because it means close examination of top management's behavior that is filtering down the corporation and creating a non-constructive culture, such as a passive-defensive culture.

Passive-defensive culture

If a company is found to have a passive-defensive culture, management will find it difficult to achieve ISO registration because this culture is filled with dissatisfaction that leads employees to channel their energies toward identifying ways to avoid work. Extended breaks, tardiness and numerous sick days typify this culture. Finding themselves in a work environment in which they must implement procedures created by others leaves employees feeling little responsibility for their work. ISO registration is the last thing on their minds. They think ISO is "just another hair-brained idea dictated by some remote manager." Companies with a passive-defensive culture can achieve ISO registration, but it may take a lot longer than necessary.

Aggressive-defensive culture

In an aggressive-defensive culture, management puts its own interests above its key constituents: employees, stockholders, suppliers and customers, among others. They encourage employees to approach tasks in forceful ways to protect their status and security. In this type of culture, employees who seek assistance, admit shortcomings or concede their position, are viewed as weak or even incompetent.

An aggressive-defensive culture encourages people to appear confident, in control and superior, even though they may lack the experience, knowledge and attitude. The constant pressure to maintain that kind of facade comes at the expense of employee health, motivation, team work and customer service. The result can be a competitive, cutthroat environment.

Individuals in this culture will resist ISO registration because it erodes their base of power and control. This environment is populated with people who maintain job security by keeping a knowledge base and not sharing it with others. Knowledge is power to them. ISO registration is a direct threat because it requires documenting procedures and sharing of knowledge. Self-survival prevents them from cooperating in any meaningful way.

Determine the culture

The first step in the pursuit of ISO registration is to determine company culture. This can be done using a cultural assessment called Organization Culture Inventory (OCI). This assessment provides a profile of an organization's operating culture in terms of the behaviors that members believe are required to "fit in and meet expectations" within their organization. It measures "how things are done around here." It is completed by a representative cross section of the company that defines the corporate culture. If the culture is found to be non-constructive, a second assessment called Organizational Effectiveness Inventory (OEI) should be conducted. This assessment measures virtually all internal factors and conditions that are likely to impact the organization's performance. Together the OCI and the OEI determine norms and expectations, measure the structures, systems, technologies, and skills and qualities of those in leadership that are the causal factors of culture, and display the cultural outcomes resulting from these expectations and factors. Combined with an "ideal" OCI, this will show what the company really

wants to become and what characteristics make up that new company culture, such as role clarity.

Role clarity is just one of several outcomes that determine a company's culture. Levers for changing the culture, of which there are 32, include goal setting, job design, motivation, inter-unit coordination, downward and upward communication, and quality. Taking these 32 factors into account will change the negative culture into a constructive culture and make ISO certification easier to obtain.

For example, in an aggressive-

defensive culture, satisfaction is typically low. Changing employee satisfaction levels requires work on certain factors such as goal setting. Individual workers that help to jointly set goals can affect a change in the norms and expectations in the culture that in turn affects the

outcome—in this case a higher level of satisfaction. Satisfaction increases because employees are involved in setting goals and feel their individual efforts are making a difference. This change helps shift the aggressive-defensive culture to a constructive culture.

Similar changes, such as improving customer service commitment, need to be addressed in a passive-defensive culture.

Moving from the old, non-constructive culture to the desirable, new culture is a process that will take several months or more. It will take even longer if the assessment reveals a passive culture because a passive culture is more difficult to work with and transform. But take heart. As the company culture is changing, the company can simultaneously begin preparing for ISO registration.

In the end, many benefits will surface. Not only will the company be ISO certified, it will embrace a new culture in which management and employees feel positive, processes will have improved, and net income will increase by an average of 756%, according to Kotter and Heskett. That is a win-win in any manager's book.

Sidebar: Tech tips

- ISO registration often brings improved internal processes, reduction in operation costs, and improved sales and market share.
- Company culture can be divided into three categories: constructive, passive defensive and aggressive defensive.
- A company with a constructive culture will generally achieve ISO registration in about 12 months.
- A non-constructive company culture will make ISO registration difficult, if not impossible, to achieve.