How Culture Affects Projects

The 1980s saw an outpouring of management writings on the subject of culture, with the runaway success of *In Search of Excellence* (Peters and Waterman, 1982) illustrating the extent to which the genre touched the hearts of the management community.   Authors began to concentrate on what might be called the "behavioural side" of management and organisation.   They argued that the difference between successful and not-so-successful organisations rests with the values and principles that underlie their internal organisation.

"Organisational culture" was the term applied to this set of values and principles that determines behaviour, and managers began to invent their own definitions for culture such as "the way we do things around here."   But in a sense, this "popularisation" of the concept of culture also robbed it of something of its richness.   Literally, a "culture" is something that works upon or schools.   Words like "cultivate" (i.e. create the conditions for growth) or "agriculture" (i.e. work upon the fields) come from the same root.   Activities such as opera, poetry readings or visiting art galleries are described as "cultural" because they represent an aesthetic sense that is the result of schooling and development.

An organisation's "culture" is an indefinable force that shapes the way people in the organisation think and schools the way they behave.   It provides the breeding ground for the organisation's accumulated "wisdom", and thus forms the very basis of its capacity for learning and knowledge management.

In spite of its fundamental importance, it is difficult to "pin down" specific elements of "culture".   Of all the topics that make up the "soft" side of management, this is the softest.   Certainly we can describe behaviour patterns that we frequently observe.   We can seek to articulate our "shared values".   We can even use visual techniques such as causal loop models or the various techniques of theory of constraints to make explicit the "mental models" that underlie the organisation's thinking and behaviour.   But as the linguist Korzybski observed, "the map is not the territory".   The characteristics that we can observe and describe are only the surface appearance of certain aspects of the culture—not the culture itself.

Culture affects companies' financial performance

Unfortunately, just because it is difficult to describe an organisation's culture, let alone measure it, we cannot afford to ignore the topic, or simply leave it to academic researchers.   If the 1980s saw the awakening of management interest in organisational culture, the 1990s have seen a number of pieces of work that substantiate the link between corporate culture and sustainable financial performance.   Daniel Denison's "Corporate Culture and Organisational Effectiveness" (1990) shows that culture "causes" organisational effectiveness measured by return on investment and return on sales.   Charles Hampden-Turner in "Corporate Culture" (1990) quotes many figures from Gerd Hofstede to show the correlation between national cultures and economic performance, as well as identifying the link between specific aspects of culture and organisational performance.

A particularly convincing study has been carried out by Harvard University's John Kotter and James Heskett and described in "Corporate Culture and Performance" (1992).   They showed that:

- Corporate culture can have a significant impact on a firm's long-term economic performance. Firms with cultures that emphasise all the key managerial constituencies and leadership from managers at all levels outperformed firms that did not exhibit these traits by a huge margin.   Over an eleven-year period, the former increased revenues by an average of 682% versus 166% for the latter, expanded their workforce by 282% versus 36%, grew their stock prices by 901% versus 74% and improved their net incomes by 756% versus 1%.

- Corporate culture will probably be an even more important factor in determining the success or failure of firms in the next decade.

- Corporate cultures that inhibit strong long-term financial performance are not rare; they develop easily, even in firms that are full of reasonable and intelligent people.

- Although tough to change, corporate cultures can be made more performance enhancing.

How this happens has recently been investigated by Jeff Cartwright and the Economic Psychology Research Group at Exeter University.   They found that "it is the cultural environment of an organisation that determines the motivation of its employees."   So an organisation's culture

determines the motivation of its employees, and the motivation of an organisation's employees deliver its long term financial benefits.

Projects are affected by organisational culture

Projects are an increasingly common way of getting things done within organisations. The project managers and project teams are drawn from within an organisation (or from a limited number of partner organisations), and so the approach to projects and the motivation of the project teams is shaped by their organisational culture. The culture of an organisation, therefore, exerts a strong influence on all the members of the organisation who are undertaking projects in or for it. This was recognised in the 1990 World Congress on Project Management, where one of the four main groups of topics was "Culture and Project Management". Papers concentrated on three major aspects of culture and project management: how project performance is affected by corporate culture; how difficult it is to manage international projects because of different national cultures; and how "management by projects" can be used as a vehicle for altering corporate culture.

In our own work with organisations we have come across many strong cultures that inhibit project performance. Even today, it is still possible to find examples of organisations with tendencies towards one or more of these dysfunctional cultures.

- Macho management – a culture where planning is discouraged, and project managers are told "just do it".

- Incentive-riddled estimating – a culture where estimating is embroiled in a political process that is reinforced by tough target completion dates and impossible resource budgets. If this is backed up by systems that fail to record costs and effort accurately against specific work packages, management can hear only what it wants to hear—until it is too late.

- Administrative bureaucracy – a culture in which following the correct process, and establishing the correct superstructure of committees is used as a substitute for results-orientation.

There is virtually no aspect of project management that isn't influenced to a greater or lesser extent by the culture of a company. In our work on identifying best project management practice we continually encounter the role that culture plays in determining the effectiveness of practices such as risk management, quality assurance, change control, HR management and planning and estimating.

Culture influences all aspects of project management
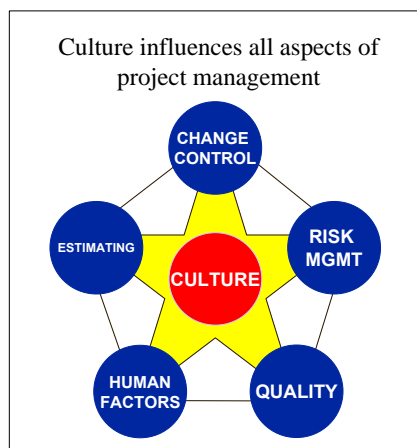
In recent weeks Human Systems has carried out a detailed benchmarking analysis of project performance on 80 projects from different industry sectors to identify the impact of best practice on project performance. There are strong indications that significant groups of practices that appear to show no logical connection with each other, nevertheless correlate strongly. For example, if projects have a highly effective unified cost/schedule reporting system, they also have a highly effective means of allowing risk owners to decide on the appropriate risk management actions. This suggests that both are in fact the result of a strong and positive project culture.

All projects have cultural dimensions that need to be managed

In addition to the general influence of organisational culture on projects,   a project manager always has other aspects of culture to consider.   That is true regardless of whether you are managing projects as an in-house project manager, as a procurer dealing with suppliers, as a supplier dealing with external clients, or as a prime contractor dealing with both suppliers and external clients.   In each case, the project manager is concerned with the motivation of the project team, and if s/he doesn't work to create a healthy and supportive culture, then an unhealthy or negative one may well develop by default.   The

effects of the culture will make themselves visible in such tangible areas as the quality of plans produced, the effectiveness of the processes used, and the quality of the products delivered.

In-house projects
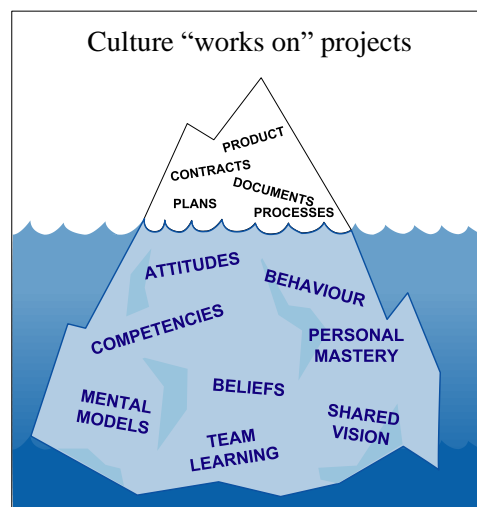
In all but the simplest departmental projects, an in-house project manager has to deal with the problems of managing different parts of the project team that are schooled in different parts of the organisational culture.   The differences can arise in at least three different ways.   Firstly, different departments might have very different departmental cultures – for example the scientists in R&D might have very few shared models and values with the sales community.   Secondly, organisations may have different project communities, each with their own culture, and the culture within commercialisation projects might differ from that in Engineering or that in IT. Thirdly, the culture within the project management community might be very different from that within line management, from whom the business sponsors will usually be drawn.   If these differences are not managed, then conflict will be the inevitable result.   In turn this will lead to delay, cost increases and demands on the project manager's time.

External clients, suppliers, or both

For the project manager with any perspective other that that of the in-house project manager, there are all of the issues to deal with that have already been mentioned, together with the additional concerns of creating a unified team that has shared objectives across organisational boundaries.   Since no two organisations share identical organisational cultures,   conflict will inevitably arise between the cultures unless the cultural dimension is specifically managed by the project manager.

This is rapidly being recognised in the construction industry where "partnering" is becoming a preferred means of creating a positive cultural environment project by project.   It is also being recognised in the oil and gas industry, where inter-firm alliances supported by high-performance facilitation to change behavioural practices are delivering startling improvements in cost and schedule.

In his introduction to Ron Baden Hellard's authoritative book on partnering in the construction industry, Sir Michael Latham writes that "Partnering is the affirmation by all in the construction process that they want to work together.   It should not be a cosy arrangement. . . . .Teamwork involves solving problems together, not calling in referees all the time to solve them for the participants."

The European dimension

All of these problems are multiplied when a project team crosses national boundaries to include people from differing European cultures.   Gerd Hofstede's pioneering research during the 1970s and 1980s, and the more recent work by Charles Hampden-Turner and Fons Trompenaars (The Seven Cultures of Capitalism, 1993) have both identified the deep cultural differences that underlie national thought and characteristics.   If a project team contains French, Germans, Dutch, Italians and Brits,   for example, there will be far deeper problems to be overcome than simply finding a common language for communication.

I remember hearing the anecdote of a troubled project start-up involving groups of employees from an organisation's French and German subsidiaries.   It all seemed to go well at first – there was general agreement that a project concept was required as the basis for planning.   But that was as far as anyone got.   When the French prepare the concept on behalf of the team, the German team members felt that the French were deliberately slowing the project down by insisting on talking at a high-level of abstraction.   And that they were probably politically motivated.   The Germans responded by preparing their own concept on behalf of the team.   This time the French thought that they were witnessing a typical German take-over attempt, with detailed plans being put forward far too early in the thought process.

It later transpired that this was the language/culture problem rearing its head.   Both the French and German languages contain the word "concept" (or Konzept) – its just that the two words mean very different things.   The French meaning is much more high-level and abstract, where the German is much more practical and planning-based!!   Once this difference was realised, it was simple to tackle the real problem – which was that the two parts of the team each needed something different before they felt comfortable enough to proceed with the project.

Project managers need to be adept at shaping a healthy project culture.

The clear flow from culture to motivation to financial results should make every project manager, and every manager of project managers, think long and hard.   The financial costs of an unhealthy project culture are less well documented than for organisational culture.   But the Construction Industry Institute's study,   for example, of the impact of an adversarial relationship on cost in the construction industry shows a clear correlation between high trust and low cost, and between low trust and high cost.

Healthy cultures are not created by chance.   They develop only if project managers possess the competencies and skills necessary for creating a healthy culture within their project, or else work closely with a high-performance facilitator who can do that for them.   This needs to be recognised, in turn, by our professional associations.   The word "culture" isn't indexed in either of the major Bodies of Knowledge, nor headlined in BS 6079.

Yet there are sufficient indications that the prize for creating a strong and positive projects culture could be of a similar magnitude to the financial performance prize that flows from a strong and positive organisational culture.   At present there are only straws in the wind, but they suggest that improvements of financial performance of up to 70% are there for those determined enough and skilled enough claim them.   Can we afford not to?

Terry Cooke-Davies

This article is the fourth of a series that has emerged from conversations between Terry Cooke-Davies and Eric Wolstenholme.   The conversations have ranged widely, in the context of a PhD thesis that Terry is submitting under Eric's supervision.

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