



The  
**Science**  
of  
**EDGE**  
THE KNOWLEDGE TO MASTER THE NEW SUPPLY CHAIN

**Align Culture with Strategy, Then  
Stand Back...**

Track 1 Session 2

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# Abstract

**A company's culture is often viewed as an intangible obstacle and difficult to manage. It gets worse when the company is trying to change the direction of their strategy and culture doesn't want to come along. This Supply Chain angle on this elusive topic will help you understand the makings of culture, why it gets sideways with change and then how to harness it as an asset. The first step to aligning culture and strategic change is dispelling popular management myths that will likely make you say "hmmmm."**

# Agenda

- **What is this thing called culture and why are firms so concerned about it?**
- **Why is culture so important to the firm and to the supply chain?**
- **Management myths that overlook the role of culture.**
- **How do we make culture work for us?**
- **Key Takeaways**
- **Conference Cloud**
- **Questions**

**We focus on culture because it is so often cited as the cause when things go wrong!!**



# Culture as the Universal Answer!!

## Two opposing examples:

### Auto Industry



# What is Culture?

- *The shared values, beliefs and principles that are present in an organization and that shape its behavior.*
- **The residue of success**
- **What people do when the boss is not around!!!**

# Why Culture Matters!

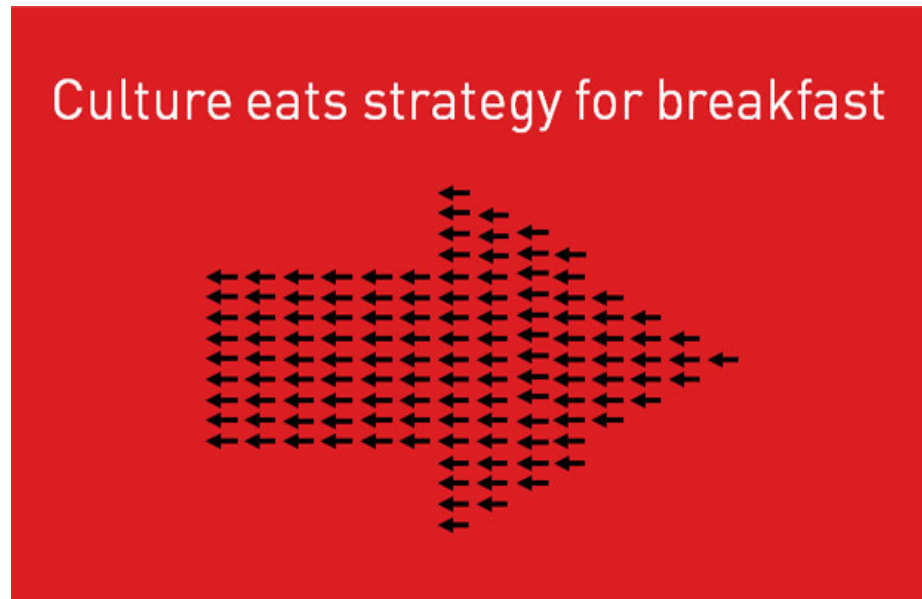


- **Culture determines how the organization responds to a new or different situation.**
- **To ship or not to ship – that is the problem!**
- **Every employee knows the “right” answer, and it may not be what the manual or top management says it is!**



# Strategy, Culture and Change

- **Strategy is mostly visible when it requires change.**
- **We know the saying:**



- **Therefore, culture is the enemy of strategy! (right?)**

# Does Culture = Resistance to Change?

- **Wrong question, on both sides!**
- **Resistance to change really means resistance to a *specific* change.**
- **Culture will resist *specific* changes – those that challenge “values, beliefs and principles.”**



# How will your culture react to change?



# “What” Culture

- **The focus is on the goal or mission.**
- **Procedures are seen more as suggestions:**
  - Used if relevant, changed or ignored when found inappropriate.
- **Actual procedures used are driven by the goals and objectives .**



# “What” Culture

- **Most likely to arise when:**

- Value chain groups are exposed to key customers on a regular basis.
- Success cannot be taken for granted.
- Rate of change is fast, with new developments continuously being introduced.
- High levels of competition.
- Personnel turnover with new people and new ideas coming into groups.

# Examples of “What” Culture



# “How” Culture

- Focus is on doing things in the right way.
- When the customer requirements don't fit, we try to “educate” the customer.
- No visibility of the “why”, so when new procedures threaten to replace existing ones, they are typically ignored.



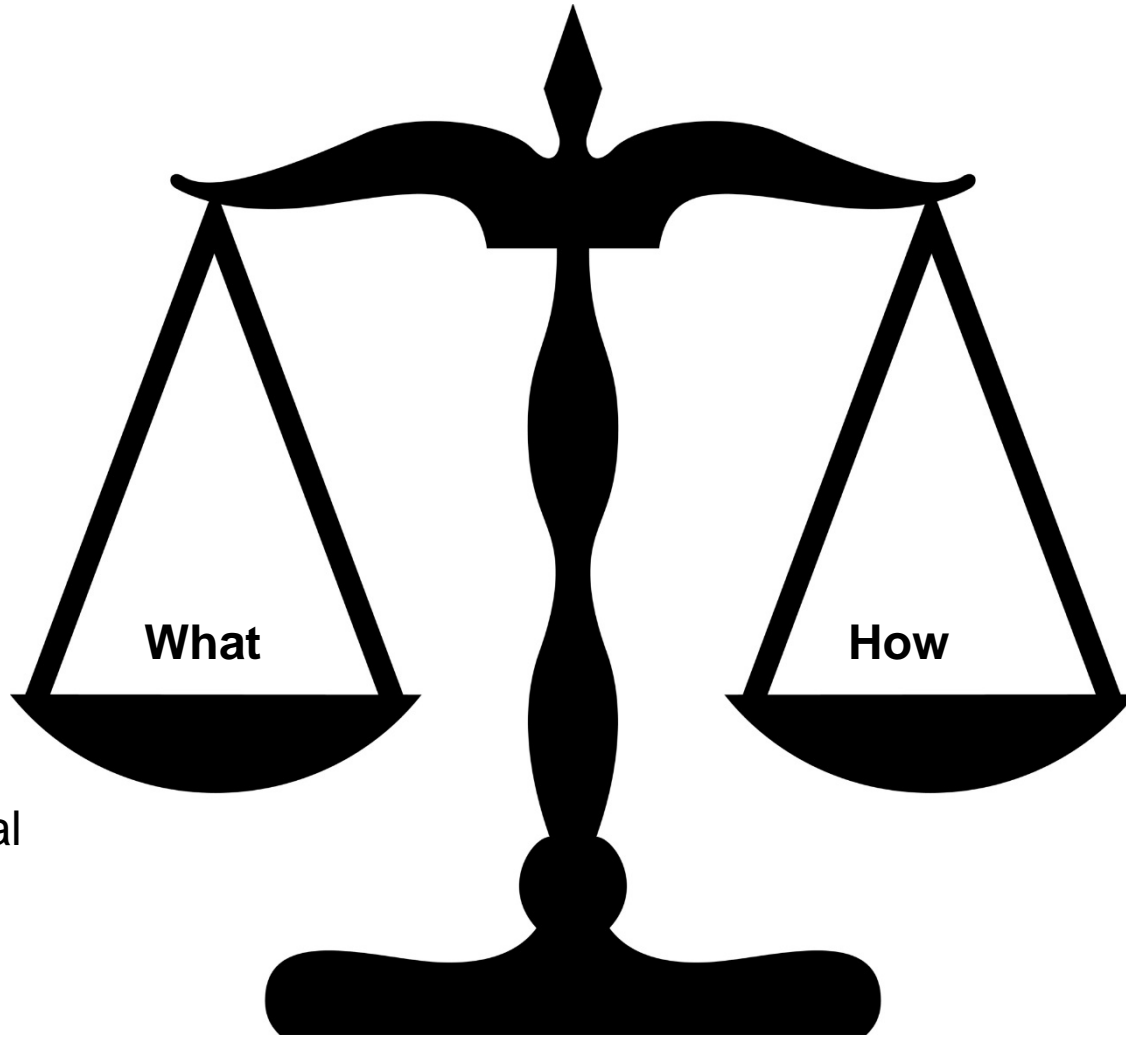
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# “How” Culture

- **Tends to emerge when:**
  - Value chain groups are isolated from key customers – don’t know who they are or what they want.
  - Stable industries – slow clockspeed.
  - Little serious competition.
  - Track record of success – firm is a benchmark in industry.



# Striking The “Right” Balance



## Strengths

- Customer focus
- Quick Response

## Weaknesses

- Inefficient
- No organizational learning

## Strengths

- Efficiency
- Facilitates Org Learning re: processes
- Quality

## Weakness

- Suffers from Procrustes Bed Syndrome
- Rigid

# How to Recognize Cultural Archetypes

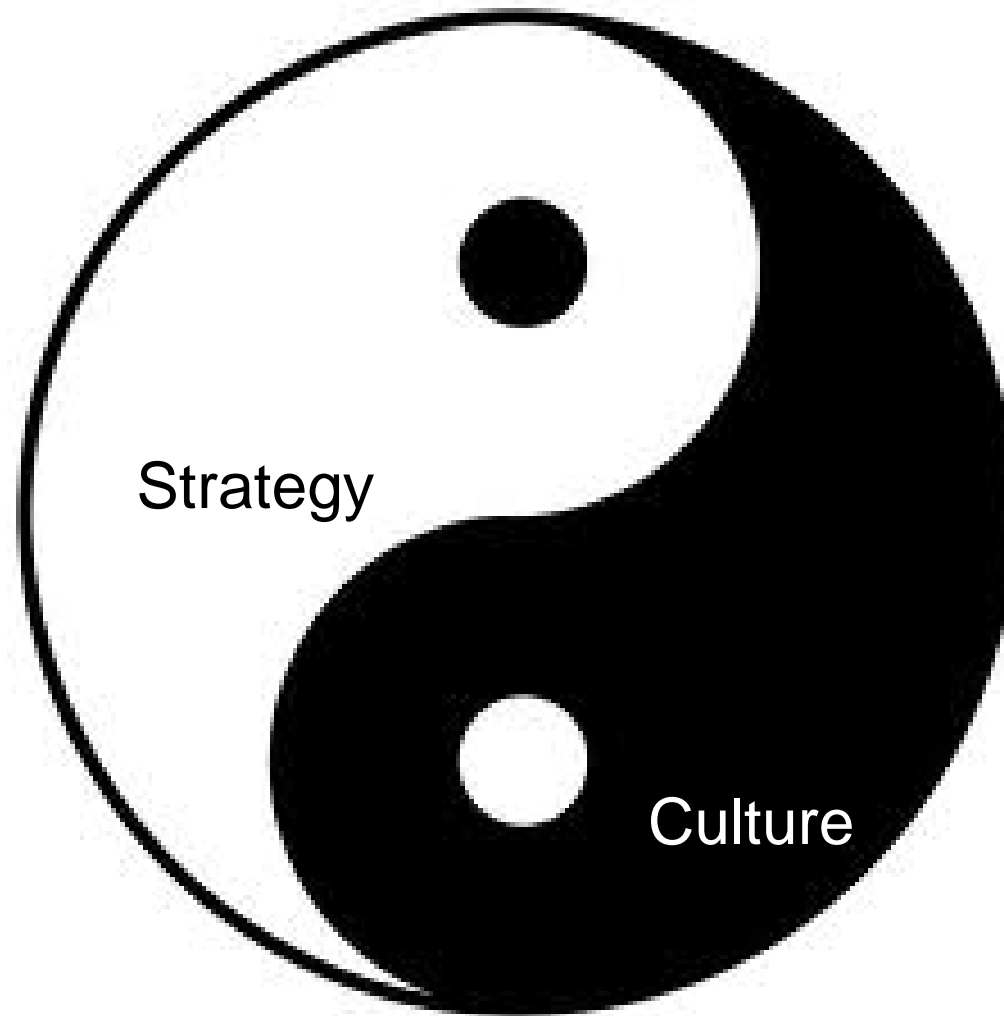
## “HOW”

- **History of success**
- **Execution system is isolated from customer**
- **Performance measures are internally focused**
- **Emphasis on adherence to procedures**
- **Stable employee base**

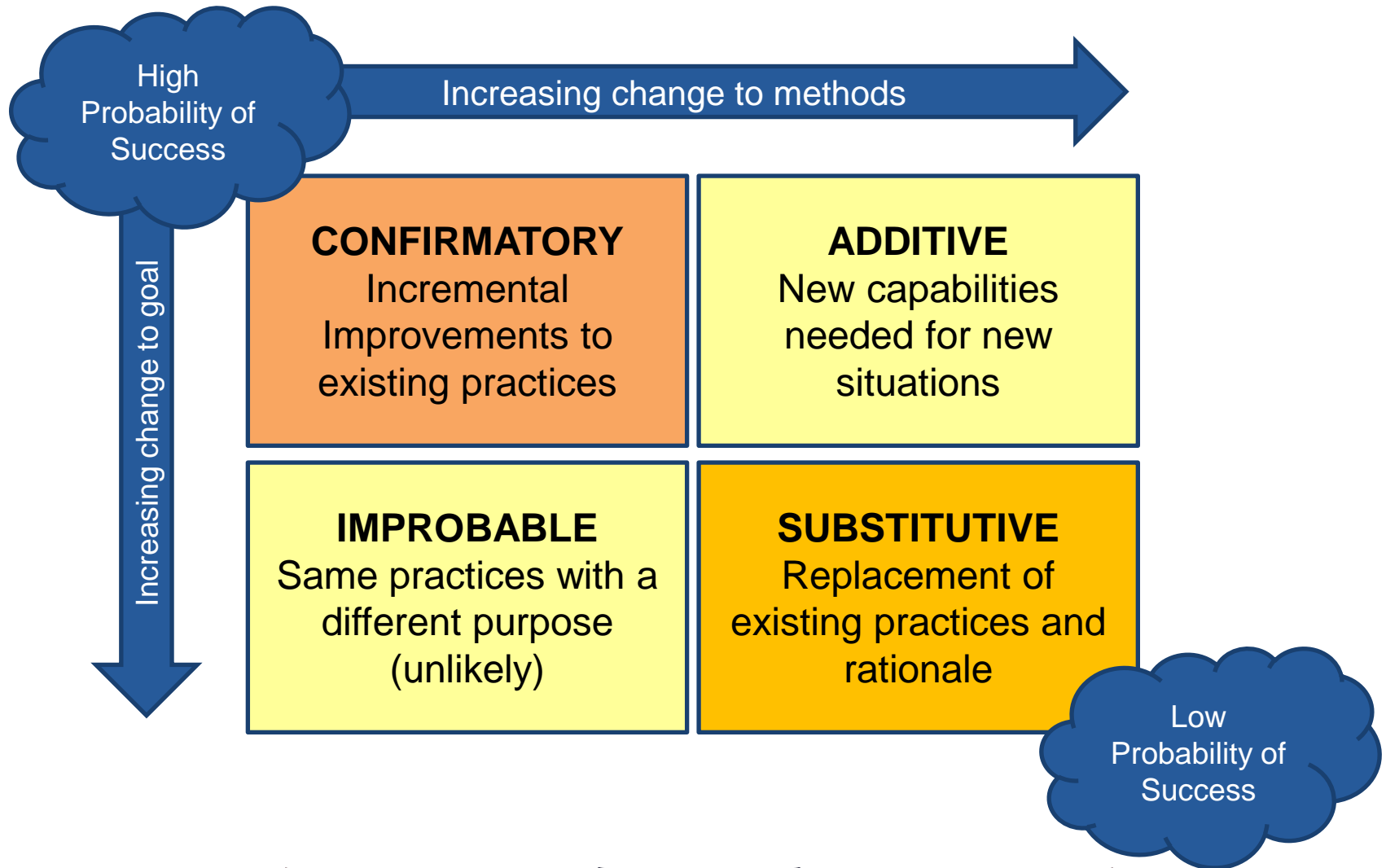
## “WHAT”

- **Employees don't take success for granted**
- **Execution system is exposed to customer**
- **Performance measures are externally focused**
- **Sense of mission that goes beyond tactics**
- **Tolerance of ad hoc practices**

# How can we get the two to work as one?



# Strategy and Cultural Fit



# Can we Reconcile Strategy and Culture?

- **Key is whether or not a strategic initiative is consistent with the how the organization understands its mission.**
- **If not, culture must be changed (slow, hard) or circumvented.**
- **This is also costly and time-consuming, but necessary if the initiative is to succeed.**

# Why Does Culture Dominate Strategy?

- Durable, self-healing – can't change it one person at a time.
- Too many degrees of freedom.
  - Employees make many choices; can't (don't want to) dictate every one.
  - Performance metrics are often poor proxies for intent.
- Culture as a set of beliefs acts as a filter to information.

# Culture Can Work to Rule!



# Working with and Around Culture



Need to first dispel/discredit  
existing approaches



# Myth #1: Culture is the Enemy of Strategy

- **Culture is not for you or against you, it has its own strategy – may or may not be aligned with yours.**
- **Diagnosis is key – what does your organization believe?**
- **Work with it when you can, circumvent when you must.**

# Myth #2: Better Ways of Doing Things Can be Taught

- **Better by whose standards?**
- **When knowledge is confirmatory or additive, no problem.**
- **When knowledge attacks the belief structure, it is substitutive – some things will have to be *unlearned* – a very different process.**
- *“You can’t reason someone out of something they weren’t reasoned into.” (Various attributions, including Mark Twain)*

# Myth #3: Tell Them What You Want Done, Not How To Do It

- **Core management philosophy, but fatal when culture is misaligned with strategy.**
- **Key culprit is performance measurement – particularly outcome measures.**
- **Use measures of behavior, micro-manage.**
- **Management must assume responsibility for results – cannot delegate this.**

# Longer-Term Fixes

- **If culture is misaligned with a new reality, it will have to change.**
- **Focus on the unlearning – must make the status quo unacceptable**
  - Use a crisis, or create one
  - May have to fire some good people
  - Be clear and consistent about the mission: beware of the “*folly of rewarding A while hoping for B*” – (Steven Kerr, 1975)

# Culture in the Supply Chain

- **How a supplier reacts to a situation will be determined more by their culture than your expectations!**
- **We typically evaluate suppliers on know-how (capabilities), not on their web of priorities.**
- **As a result we may get unexpected and unwanted results.**
- **The short-term solution is the same as with internal conflicts – micromanagement, with detailed contracts and oversight.**
- **Better to get it right in the first place.**

# Culture within the Supply Chain

- Culture *important* within the firm; *critical* within the supply chain.
- Particularly so when dealing with critical components or services.
- First, and most important determinant of success of long-term relationships.
  - Robert Spekman (University of Virginia)

# Making the Match

- **Culture adds critical but largely intangible supplier selection criteria.**
- **Make it a formal part of the assessment process; be prepared to give a little on cost, etc. – it will pay off in the long run.**
- **Just like employees, you may have to fire some very capable suppliers.**

# Understand the Ultimate Power!



**An army of ants  
Driven by a  
Shared vision!**



# Key Takeaways

- **Culture is often misunderstood; treated as a constraint or a random element.**
- **Culture is actually a knowledge-based capability of the organization and the supply chain.**
- **Different culture types (capabilities) suit different situations, but in times of change, the “what” organization more apt to survive and prosper.**

# Key Takeaways Continued

- **To get to where you want, you have to understand where you are coming from.**
- **To change culture, focus on the unlearning.**
- **If the culture lags the strategy, manage behavior, not outcomes.**

# Conference Cloud

## Additional Resources

- Edgar Schein. 1992. *Organizational Culture and Leadership: A Dynamic View*. San Francisco, CA: Jossey-Bass.
- Kotter, J.P. & Heskett, J.L. 1992. *Corporate Culture and Performance*. New York, NY: The Free Press.
- Hanson, J.D., & Melnyk, S.A. 2014. “Culture Eats Strategy... and how to deal with it.” *Supply Chain Management Review*. July/August.
- Trebilcock, B. 2014. “How They Did it: The Purpose-Driven Supply Chain.” *Supply Chain Management Review*. July/August



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# Questions



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