Open Systems & Culture Analysis

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Schein summarizes it best, “culture and leadership are two sides of the same coin and one cannot understand one without the other.” (2009, p. 3). Often organizations spend the majority of their focus on financial results and leadership while failing to see the importance culture plays in the success of their organization. Nothing reveals the cultural beliefs and assumptions quite like an acquisition or merger of two very different organizations.

Strata Leadership is a leadership development company based in Oklahoma City. Their team is comprised of successful professionals with a variety of work experiences. Fortune 500 companies and small businesses across the nation use their services to develop leadership capacity and improve communication throughout their organizations. Their primary services include corporate training, executive coaching, assessments, and character based monthly discussion materials.

From 2009-2012, Strata managed the non-profit Character First. It was a mutually beneficial partnership that helped both organizations grow and increase efficiencies. During this process, Strata identified untapped potential in the Character First brand and material. The owners of Strata made an offer to purchase Character First and turn the organization into a for-profit company under the Strata umbrella. This seemed like a good opportunity for both sides, and they agreed to the proposal in 2012.

Strata is best described as an adhocracy. It is informal yet highly centralized and continuously undergoing changes and modifications as deemed necessary by the co-founder and CEO (Morgan, 2006, p. 50).

The organization is centered on the CEO and his ideas. He is a charismatic speaker with a winsome personality. He is a visionary entrepreneur who can come up with multiple million-dollar ideas every day. What he lacks is the ability to stay focused long enough to execute on those ideas. He relies upon the other members of the team to turn these ideas into reality, because he will be off to another idea before his last idea is built into a strategy.

He grew up poor and lost everything once as an adult. He stated that these experiences drive his desire to continue creating in spite of resource limitations or boundaries. He has confidence and faith in his ability to generate ideas, and he believes he can out think his way through any situation. Most of the time he is right.

The secondary driver of Strata is the co-founder and President. He is the majority owner and comes from a long, successful career in manufacturing. Around the same time as the acquisition, he sold one of his other businesses and entered the day-to-day management of Strata for the first time in its history. He currently owns two other businesses in different industries that operate with mechanistic cultures. He recognizes the difference in organizational types, but he verbally acknowledged that he has worked in mechanistic cultures for so long that he has a hard time adjusting.

Additional Strata team members offer a wide variety of experiences and expertise. They have a strong focus on financial performance and achieving set benchmarks. The CEO commonly refers to the team as a group of “special forces” that each plays a distinct role in the organization. There is little overlap in job responsibly and an organizational chart has never been published. The personalities of the team prefer flexibility and autonomy to complete their work. There is not a dress code or set office hours. Rarely will you find people at the office unless meetings are taking place as most are working on building a new idea or servicing a client. Team members have the freedom to work from wherever they feel most productive.

Character First is the exact opposite of Strata in many respects, but it offered new opportunities for Strata by significantly increasing the customer base overnight, while at the same time creating a few liabilities based on the organizations history.

Character First originated as a non-profit focused on teaching and discussing character in the workplace. Over the years it successfully built a strong business around education curriculum geared primarily towards homeschool parents. While they had a good product and adequate customer base, there was not an objective to be financially independent from the founder. It was thought of as a ministry or charity, not as an organization that should cover its own expenses. They viewed themselves as a charity that provided good material to those in need and heavily relied on gifts from the founder to stay afloat.

The content for the original curriculum developed for the workplace was provided by a religious organization the founder was connected to. They removed the biblical references to the content and made it acceptable for corporate use, but the founder maintained the deep religious roots when it came to hiring team members.

The founder hired people based on church connections and friendships to fill the needs of the organization. This action set the precedent for future hires and drastically shrunk the pool of potential candidates to choose from. New hires were made based on friendships rather than on the ability to do the job well. They lacked the technical expertise to run the quickly growing organization. With a value of thrift, they made do with the best they had and would not spend money on infrastructure until it became an emergency. This created additional problems and added to the workload.

The products they produced met the market needs very well. The size of the customer base was over 200,000 people worldwide, most of who were followers of the same religious leader. Over time, the religious figure came under increasing pressure and was labeled as a cult leader by some publications. This drastically reduced the following of people who wanted to buy material for their business or family to use.

Character First operated with a mechanistic mindset partially due to the religious beliefs that preached conformity and a strict, conservative lifestyle that was deemed acceptable. Over time, people stopped questioning ideas and did what they were told. Innovation was squashed and what should have been flashing red lights of danger were overlooked (Morgan, 2006, p. 30). This led to the need for new leadership.

The challenge facing Strata is one of alignment. Roughly half of the new Strata Leadership team spent the past 10+ years not concerned about financial responsibility. They are not motivated by financial gain, but rather by spreading the message of the content they’ve developed. They want to help people in whatever way possible and are willing to lose money on every transaction as long as others are being helped. They came from a ministerial background but are now in a business environment they would not have signed up for.

On the other hand, you have a new part of the organization that sees the potential of the business and wants to get there as quickly as possible. They are quick to critique the look and brand of the “old material” used by Character First before the acquisition. They want to grow the company into the potential they see and do not have the same motivators as other members of the team. The two sides are aiming towards two very different goals.

When Strata purchased Character First, it inherited a culture with deeper roots than imagined. Even though the leadership was aware of the cultural differences, they did not foresee some of the specific items that would arise as the two worlds came together.

The culture of Strata is highly innovative. It relies on new ideas and new products to continue its growth. Character First is mechanical in nature. “Mechanically structured organizations have great difficulty adapting to changing circumstances because they are designed to achieve predetermined goals; they are not designed for innovation (Morgan, 2006, p. 28).” While Strata changes day to day, Character First seeks stability.

The leadership is aware different parts of the organization require different types of leadership (Morgan, 2006). While a mechanistic approach is a good way to get the most out of the resources available at the moment, the very nature of it will decrease the creativity and thus the ability to innovate for the future. Its success is its own undoing (Morgan, 2006). They have chosen to lead based on what is effective for each person, but this approach requires additional energy and focus with is not readily available.

The culture of the organization for the future is led by the CEO and will rely heavily on innovation. That is clear to all parties. Those that do not want to be part of that direction are choosing to find other opportunities. Many have done so already.

Moving forward, there is a necessity for the two sides to integrate or part ways. My point of view is many of the old Character First employees will choose to leave and pursue other options within ministry.

With time and intentional effort, there is a possibility they can unite as one organization. That will not be easy and obstacles still remain, but significant progress has been made over the past year.

# References

Morgan, G. (2006). *Images of Organization.* Thousand Oaks, CA: Sage Publications.

Schein, E. (2009). *The Corporate Culture Survival Guide.* San Francisco, CA: Jossey-Bass.