

PARADIGM OF AN ORGANIZATION'S DNA AND ITS IMPACT IN AN ORGANIZATION

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Abstract

In today's fast-paced, information-rich, and quickly expanding landscape, organizations face a monumental task. Building and maintaining solid foundations to support adaptable, positive cultures is difficult in the face of a shifting economy, physically separated workplaces, and increasing diversity in the workforce. These changes in the landscape are forcing organization leaders to think about organizational sustainability in new and different ways.

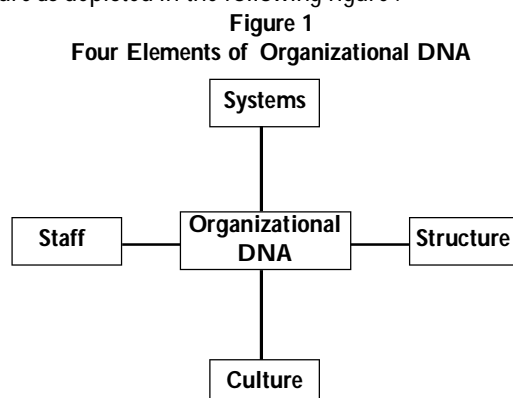
The purpose of this paper is to describe the concept, processes and functionality of an organization's DNA and how organization DNA helps in developing "simple rules" as a key to establish the adaptability and flexibility that is necessary in complex organizational environments.

Key words : *Organizational Development, Organizational Structure, Motivators, Strategic*

Organizations struggle when trying to manage an existing business and a related new strategic experiment simultaneously. The new venture must forget much of what has helped the corporation become successful but must borrow its resources at the same time. To overcome the challenges posed by strategic innovation, organizations must adopt a dual-purpose design. In dual-purpose organizations, the core business and the new venture are distinct subunits within the corporation and have very different DNA. To create its own organizational DNA; the new business must forget the core firm's business definition and competences, as well as the predictability associated with its proven business. The new firm must also hire outsiders at the operational and management level, create its own business functions and processes, develop its own performance measures, and establish its own unique culture of experimentation and learning. Once the new firm has overcome the difficulties that accompany borrowing, it can borrow, among other things, the core enterprise's physical assets (such as manufacturing capacity), brands, expertise, and process outputs.

Now first let us understand what we mean by organization DNA, its origin and how it is considered to be important for an organization.

Organizational DNA is not simply inherited at birth. Consciously or unconsciously, the elements of DNA are selected by leaders. Organizational DNA can be changed, though not easily. DNA becomes deeply entrenched fairly early in an organization's life. It can be changed only through a diligent and time-consuming effort by the senior team. Organizational DNA consists of four elements: staff, structure, systems, and culture as depicted in the following figure:



Staffing choices can create new areas of expertise, e.g. there are many organizations that hire talented networking engineers by acquiring small technology companies.

Structure shapes an organization's flexibility, e.g. organization decentralized structure enables it to serve markets as diverse as credit cards and nuclear reactors.

Systems send signals regarding dimensions of performance that are more or less valued.

Culture establishes the values that employees aspire to, e.g. "the credo" of an organization captures the central promise that the organization makes to each of its stakeholders.

In the context of strategic innovation, DNA matters because management cannot be on call to solve every problem that organization faces. They cannot make every decision. Instead, they must shape decisions by encoding assumptions, values, and decision biases into an organization's DNA — at the time organization is created.

Staff includes attributes of leadership style, plus policies for hiring, training, and promotion. When building a new organization, senior executives must decide who should lead: Entrepreneur or corporate executive? An insider who is politically connected within the organization or an outsider who is more familiar with unique technologies? A general manager or a technical expert? A naive young executive who cannot imagine failure, or a seasoned executive who cannot risk failing, losing everything invested toward reaching the top? Where should the remaining staff come from? It may be more convenient to transfer insiders, but only outsiders are capable of bringing in new expertise and new perspectives. Should outsiders fill management posts within the organization or just operational ones?

Structure includes the specification of formal reporting relationships, decision rights, information flows, and task flows. A key decision is who the head of an organization should report to. The functional manager within organization who can help the organization the most? A general manager of an existing business unit? Directly to the CEO? In any case, what roles should the executive to whom the organization reports are prepared to play? Should he or she simply set expectations and monitor results, or is the role more complex? What should the reporting structure inside of the organization look like?

Should it mimic the structure of other core business units? How and for what purpose should organization and Core Company interact? Which should be the more powerful party in the interaction?

Systems include planning and budgeting processes, norms for evaluating business performance, selection of performance measures, and incentive systems. What expectations are reasonable for the organization? To what extent can the leader of the organization be held accountable for the results of an experiment? How frequently should the organization be evaluated? On what basis? Which performance measures are most relevant? How similar are these measures to the ones used in Core Company? How much should be invested in the organization and when? How frequently should the organization's budget be revisited? Finally, what career and compensation incentives make sense for the company's leaders? If they have the opportunity for tremendous bonuses, what commensurate risks are they exposed to?

Finally, culture includes shared notions about behaviors that are valued and embedded assumptions about what leads to success in business. Which assumptions that are deeply ingrained in Core Company may not apply to new company? Which elements of Core Company's culture might create barriers for new company, and how can this be overcome? How can risk-taking, experimental culture be created within the organization?

Interlinkages between organizational DNA and Vision

What is the underlying purpose of the organization? Is it only to make profits? Yes, a business has to make money that is not a point of debate. It must be profitable, must make tons of money. But why? To make the shareholders happy? That would be too narrow a vision. What if we were to broaden the vision to include the customers, and all people who come in contact with the Company must leave happy? What would bring this happiness? Maybe the product or the service? The feeling of joy of experiencing the service is what brings in the sales. A satisfied customer is ultimately your best salesman! The customer is not only the person who buys the end product; it is anyone who comes in contact with the organization at any point of time. That means, it includes the employees, the shareholders and myriad people such as the vendors, suppliers etc. Keeping or making everyone happy does not mean doing 'yes sir yes sir' to one and all. Making everyone happy means striving to create a win-win at every stage of the organizational process.

A Vision is all encompassing. A Vision is generally not easily attainable, while it can be realized; it cannot be reached easily or in a defined time frame. A mission is more task specific, has clear objectives to be reached & in a defined time frame. Mahatma Gandhi's vision was not just to throw the British out of India, it was the upliftment of mankind; not just the poor down trodden people. His vision encompassed the entire world. To achieve this, yes, he had to strive to throw the British out of India, he had to fight the caste system, fight social oppression etc. These became his mission criteria for realizing his vision.

Hence, vision becomes the DNA of the organization and just like the DNA it must be able to be passed on from one generation to the next without change. It cannot change with the 'change of guard' or the board of directors or a change in

share holding pattern. Hence, Vision must not change with change in ownership or if the man at the helm changes. The vision remains steadfast in its place, because it is eternal. The Vision is like the super ordinate Goal – all encompassing. And in turn, it would have various missions which will synchronize and lead to the Vision.

An organization is made up of people who live, eat, and breathe their own individual visions. Individuals make up the organization and the combination of individual DNAs make up the organizational DNA and vice versa. Hence, the various DNAs need to match or align themselves to form one seamless organization, which is depicted in the following figure.

Figure 2
Interlinkages between Organizational DNA and Vision



There are three activities involved in establishing an Organization's DNA : Identifying it, activating it, and expressing it.

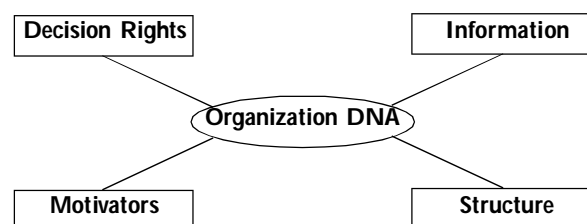
Identifying DNA focuses on Purpose. This is where we set the context of the organization through its vision, mission, guiding principles, etc. Engaging with leadership is essential, as is involving and communicating with employees and other internal stakeholders (e.g., consultants, contractors, etc.).

Activating DNA requires consistent alignment of thought, word, and action throughout the organization via its people. All principles, policies, procedures, strategies, and success metrics must begin to reflect, reinforce, and renew the ideas and intentions established by purpose.

Expressing DNA embraces fully the personal, interpersonal, and public sense of place that the client conveys and people experience every day - internally and externally - through its presence. The built environment, along with the organization's culture, corporate responsibility, interpersonal behavior, public relationships, and communications via all media determine how stakeholders experience this sense of place.

Building blocks of Organization's DNA
However, like the DNA of living organisms, the DNA of living organizations consists of four building blocks, which combine and recombine to express distinct identities, or personalities. These organizational building blocks — structure, decision rights, motivators, and information — largely determine how an organization looks and behaves, internally and externally, which is shown in the below figure.

Figure 3
Four Building Blocks of Organization's DNA





Decision rights : Who decides, what and how?

Information : How performance is measured? How activities are coordinated and knowledge is transferred?

Motivators : What are the objectives, incentives and career alternatives people have?

Structure : How overall organization model look like?

Structure : What does the organizational hierarchy look like?

How are the lines and boxes in the organization chart connected? How many layers are in the hierarchy, and how many direct reports does each layer have?

Decision Rights : Who decides what? How many people are involved in a decision process? Where does one person's decision-making authority end and another's begin?

Motivators : What objectives, incentives, and career alternatives do people have? How are people rewarded, financially and non-financially, for what they achieve? What are they encouraged to care about, by whatever means, explicit or implicit?

Information : What metrics are used to measure performance? How are activities coordinated, and how is knowledge transferred? How are expectations and progress communicated? Who knows what? Who needs to know what? How is information transferred from the people who have it to the people who require it?

Structure : In principle, companies make structural choices to support a strategy (for example, the decision to organize business units around customers, products, or geography). In practice, however, a company's organizational structure and strategic intent often are mismatched. The variance can usually be exposed by, in effect, superimposing the organization chart — an efficient communicator of power and status in a firm — over a business unit's strategic plan.

Innovation and Organization DNA

There are fundamental rules that determine how organizations behave — policies and practices that have a tremendous impact on motivations, capabilities, and behavior. These rules are so powerful, and so often taken for granted, that it is entirely apt to refer to them as organizational DNA. Crucial elements of DNA include hiring and promotion practices, leadership styles, planning processes, performance measures, reporting arrangements, formal and informal power structure, how relationships between groups are defined, how individuals are rewarded, and core values.

All companies have DNA, even small ones. As soon as a company gets big enough that the founder can no longer make every decision on its own, the founder has no choice but to start creating DNA. To succeed, companies must create a DNA that fits their business model.

Organizational DNA and biological DNA have some similarities. They both are difficult to observe directly, and have powerful impacts on behavior. But there are crucial differences, too. Biological DNA is inherited at birth, and cannot be changed. Organizational DNA is created early in life, and can be changed, albeit with some effort.

Some innovation efforts fail because a company's weaknesses are simply the flip side of its strengths. An organization that is hard-wired for success in one business is highly unlikely to succeed in a much different one. Unless, that is, it creates a subunit with an entirely different DNA.

Thus, once leaders choose a set of innovative ideas to invest in, there must be two separate tracks for converting those ideas to reality - one set for implementation within the existing organization, and a second set of strategic innovations that only have a chance within a distinct subunit that is carefully constructed from the ground up.

To sum up : Any attempt to address a business weakness or strategic opportunity must start with an analysis of what makes that organization tick—it's DNA. Yet so many traditional approaches to organizational transformation start with the conclusion that the problem lies in the strategy or in the culture of the company. Culture plays a key role in organizational performance, but it's an outcome of the organizational system, not an input to the system. Adjust the building blocks, and you change the system. Change the system, and you change the culture. Change the culture, and you unlock strategy by enabling execution. We call it "culture change for engineers" (and accountants) because it is predicated on specific, actionable adjustments to each of the four levers of an organization's DNA. That difference in starting point and perspective, coupled with the recognition that the task is difficult, represents an opportunity to create an enduring competitive advantage over rivals and leads to a fundamentally different way of thinking about organizational issues and strategy. The most resilient and consistently successful companies have discovered that the devil is in the details of their organization and its culture.

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