White Paper
Service-Oriented Corporate Culture:
Needs and Transformation

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A corporate culture is the most liquid substance in an enterprise, and is the most solid thing in an enterprise, especially if you want to change it. Service-Orientation at a corporate level is not sustainable without cultural support. What cultural changes are needed and how to deal with them are discussed in this White Paper. The nature and role of the Service-Oriented Ecosystem and social effect of Service-Orientation are presented and analyzed here from the perspective of a corporate culture.

"Creating value not just for yourself but for the society around you is a key element of building value for your corporation." [1]
Charles Sirois

About a Corporate Culture

Corporate culture is about us, the people, about our activities and manners when we work on something in groups. It is about corporate values, norms, working language, habits, human beliefs, and behaviour. It is also about the taboos, symbols, rituals and myths a company management wants its employees to believe. The culture of a company is linked to the characteristics of the surrounding society that in many cases define the social structure of the company. A corporate culture is one of the most powerful intangible values that attributes to both success and failure of any initiative. *"Culture eats strategy over breakfast,"* said Peter Drucker [2].

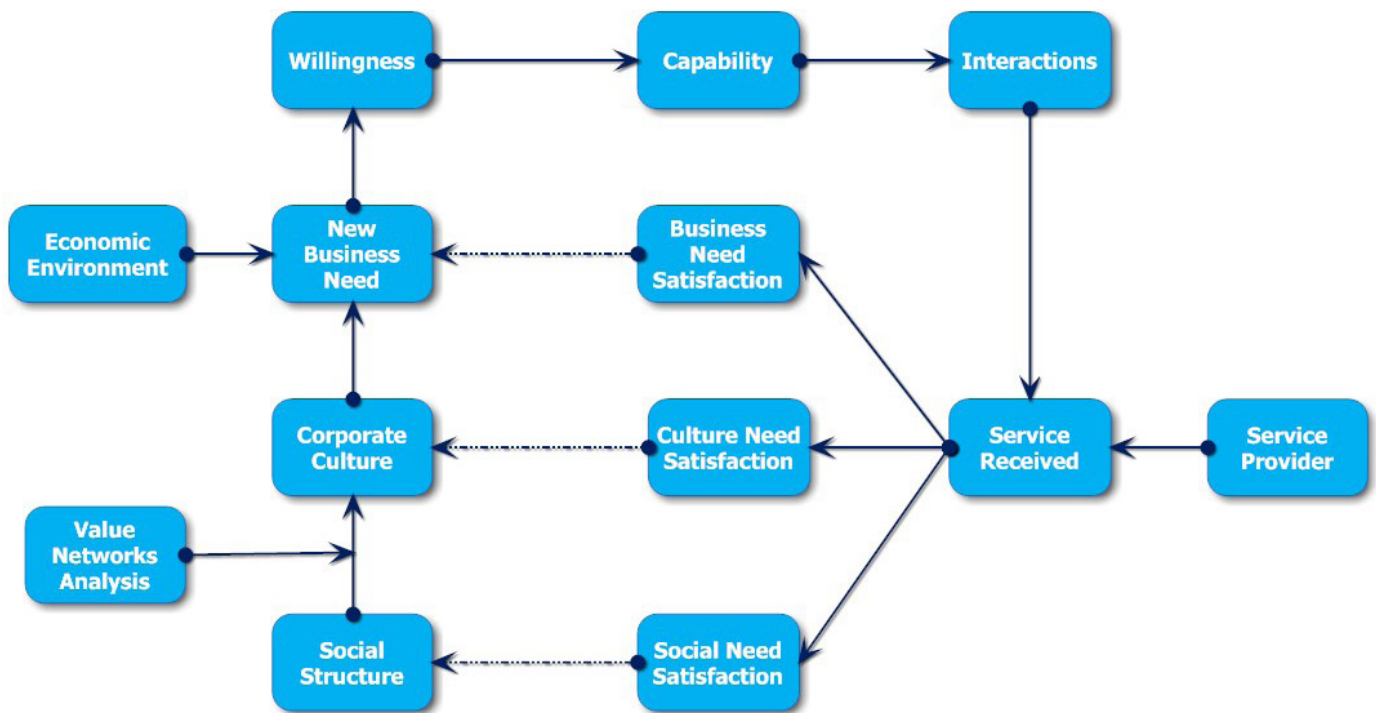Access our **free**, extensive library at *www.orbussoftware.com/community*

Figure 1 - A position of corporate culture in the context of Service-Oriented Enterprise

Everything an enterprise has and does is produced by people. Human actions and action reasoning, human willingness and intentions, ethnics, national customs and related interpersonal relationships – all these elements compose a corporate culture. However, action reasoning, human willingness and intentions have a strong ground in the social structure that impacts corporate culture regardless of whether the management of the company likes it or not. Figure 1 illustrates the position of corporate culture in the context of an enterprise from a viewpoint oriented on service in the human society. We will discuss the foundation of corporate culture in the enterprise's social structure in the following sections. For now, it is important to notice that the corporate culture feeds the needs of the corporate business and impacts the willingness of the stakeholders in the fulfilment of these needs. At the same time, a corporate culture appears as a perceptual controller, which checks if the requested and received service fits with the cultural constraints.

We think that each culture is formed and reformed by certain incentives that fit with the living conditions of people better than others. This means that if the fit exists and adequately matches the living conditions, people will resist any reforming in a fear of losing this match. In the company, the social structure of relationships plays the same role as living conditions, where people constantly evaluate offered cultural incentives and where a gap between incentives and real values can occur. If a gap opens up, an enterprise loses the culture as a managerial consolidating instrument and risks a massive resistance and disintegration.

Corporate cultures may be strong and weak. Many would agree that organizations with a strong culture can be much more productive because their people are both motivated and also fulfilled. We use the

term 'strong culture' with regard to the culture where people similarly respond to an external stimulus, i.e. those people share the same values and rules. There is no straight borderline between strong or weak corporate culture because in some aspects one company may be stronger than another company, while in other aspects it may be weaker.

Mentioned already, Peter Drucker [2] warned, "Company cultures are like country cultures. Never try to change one. Try, instead, to work with what you've got." However, culture is not a spiritual monolith, which if set once stays the same regardless of the environment. When the environment and living conditions change massively and quickly, the corporate culture will change also but not necessarily in the same pace or even in the same direction. This means, for example, that people who promote a vision of agility to market as modus operandi have to demonstrate strong incentives for the current business situation in a company. The culture will not resist reforming only if new incentives will lead to matching the new living conditions.

Social Structure and Standardization

The OASIS Reference Architecture Foundation for SOA [3] is the first standardized specification that recognizes business and human aspects of Service-Orientation as the "first class citizens" in a Service-Oriented Ecosystem (SO Ecosystem). People who are involved in the SO Ecosystem, i.e. all of us, establish communities of Participants. "… the primary motivation for participants to interact with each other is to achieve goals – to get things done. While SOA implies the use of
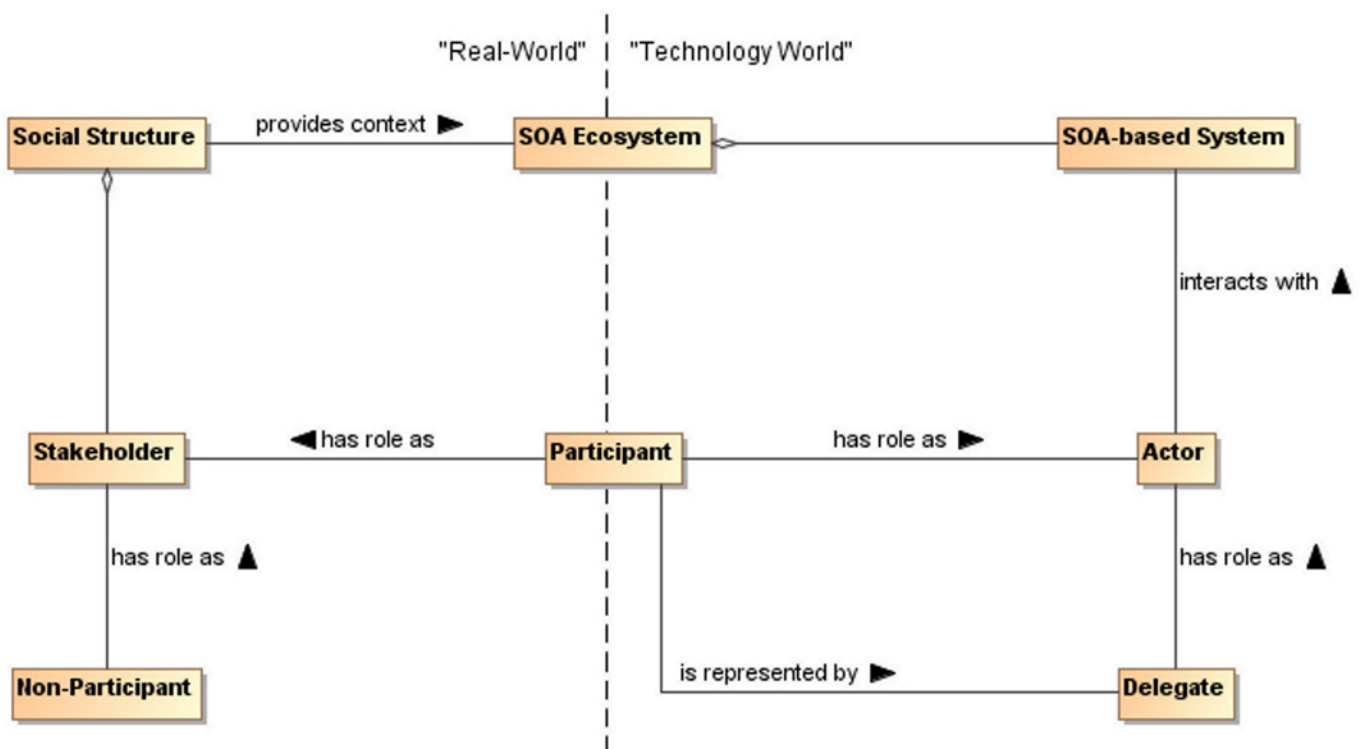

Figure 2 - A position of a SO Ecosystem's Participant regarding a Social Structure [3]

IT resources and artifacts, these are merely tools to an end and are usually not the primary interest of the participants" [3]. These tools cannot provide any value without willingness of people to use them. This willingness is a function of the social environment and the structure of the company.

The Reference Architecture Foundation for Service Oriented Architecture (SOA RAF) says, "The primary function of the Social Structure Model is to explain the relationships between an individual participant and the social context of that participant. The model also helps in defining and understanding the implications of crossing ownership boundaries" [3]. The diagram in Figure 2, provided by SOA RAF, positions a Participant of the SO Ecosystem with regard to Social Structure.

The social structure defines how service interactions implicate across management and ownership boundaries in the company. SOA RAF recognizes two primary forms of social structure:

- Enterprise social structure, "which represents a kind of composite participant – an entity that has sufficient internal cohesiveness" [3] and positioned within a market.
- Market social structure, where an aggregation of participants or members orients itself mainly around an external relationship and interactions. This type of structure has a recurring character and we can find elements of market social structure in different groups of people that together belong to the enterprise social structure.

A type of enterprise social structure depends not only on economic global and local conditions but also on the size of the enterprise. For not-so-large companies with a compact geographical allocation, the social structure usually leads to the concentration of power and the types of corporate culture such as:
- "The Clan Culture" – based on cohesion, morale and development of human resources under the centralized authority and power that is intolerant to the behavioural changes.
- "The Market Culture" – associated with market share, goal achievement and beating competitors by all means.

There is a frequently noticeable effect of the growth of a company where the changes in culture delay from the change in the business needs and the external economic environment. People suffer from the disproportion when an enterprise needs to solve the problems of "big boys" but still worships the culture of a small company.

The large companies typically end up with:

- "The Adhocracy Culture" – that demonstrates the highest level of dynamism, cutting-edge output, creativity and growth, as well as a high level of risk of failure, which is recognized and treated at the top of the corporate concerns prioritized above others
- "The Hierarchy Culture" – that may be characterized by effectiveness, timeliness and smooth functioning in a stable or slow changing external economic environment.

When an external environment starts to change frequently and fast, the Market Culture tends to transform either into a Hierarchy Culture, which is balancing on the edge between strong resistance to the changes and a management spasm, or gains some characteristics of an Adhocracy Culture well known for its flexibility and survival creativity. This flexibility sparks thoughts about Service-Orientation.

The major difference between Adhocracy and Service-Oriented Cultures is in the treatment of risk of failure. The former demonstrates a hyper-concern and protection first of all by strengthening protection power while the latter relies on multiple redundant relationships with consumers and suppliers – a failure in one spot may be easily mitigated by redundant resources.

An organizational leadership (and ownership) hierarchy affects the social structure of an enterprise a great deal. Sometimes it is so influential that it modifies interpersonal relationships, structuring them in the same way as the hierarchy and imposing related ownership boundaries. It is difficult to establish a Service-Oriented Culture if the social organizational hierarchy dominates in the relationships in an enterprise.

However, if people understand that factually they serve each other, that the teams operate in the chains of services and the goals and purposes of the work are clear to the team members, any actions may be easily evaluated against these goals and cleared from the waste. This easiness turns social relationships towards the team goals and creates the culture accordingly. Since all teams have similar service-based social trends, created local service-centric cultural elements can join together in one common Service-Oriented Culture.

What a Service-Oriented Corporate Culture Can Provide for an Enterprise

A Service-Oriented corporate culture regards everyone like a customer. That is, if the results of operations in 'my' team are used in the work of another team, my team considers others as customers while they take my team as a Service Provider. This type of operational relationship reaches out into the interpersonal relationships in the social structure that is heavily influenced by the opinions of those who are served.

A real Service-Oriented Corporate Culture differs from others in that it makes the culture customer-centric and business-oriented. Relationships between participants of such culture are based on mutual tangible or intangible benefits set in line with "customers are always right." This makes everyone – an individual and a team – to become accountable to all its "customers."

As Figure 1 shows, a corporate culture together with external economic environment feeds new business needs. The is the middle-point where an organization of business and its operational model in a Service-Oriented Enterprise meets with a willingness and capability to deliver for the business needs. A Service-Oriented Corporate Culture is an enabler for organizing business based on Business Services provided by Business Units. The latter work on contractual basis for an adequate remuneration. A corporate management just creates the "rules of engagement" and criteria for funding; people in the Business Units do everything else – servicing customers better than competitors.

To support our statements, let's look at one real-world case from our practice. This was a relatively regular set of business objectives that we'd received in one of the engagements:

1) Improve internal business processes and increase business advantage of the company in the market
2) Improve Business Services the company provides to its consumers to gain higher consumer satisfaction.

The core business of the Client's company was a media brokering comprised multiple similar business processes that organized the advertisement campaigns via different media channels like radio, TV, newspaper, etc.

Each major process for a particular channel relied on multiple sub-processes, some of which repeated across the media channels and some were specifically for the particular channel.

The interviews we conducted with managers and process-workers immediately showed that the people who were supposed to deliver process improvements and efficiency were focusing on minor improvements of the routine operational activities. Simultaneously, we noticed that many were very lean into the work; they did not seem like people working for the pay-check. Still, they could not see their major activities and supportive activities as services.

The nature of the process obfuscated a view on a simple model: input-function-outcome. People were too focused on activity details. So, we had to demonstrate that each step of the business process and each individual activity may be presented as a Business Service to its consumer. The best that one as a service provider could do was making and keeping the consumers happy.

In other words, what actually needed was to shift the personal perceptions from seeing colleagues not as neighbours but as consumers and suppliers. The effects exceeded even our expectations.

Interpersonal relationships changed quickly. Years of neighbouring and friendship did not go away, but a spirit of demand-supplement-satisfaction created an atmosphere where many had started to take care of improvements and innovations in their areas just to improve the satisfaction of their immediate consumers. Managers had transformed into the handlers of exceptional situations with resources.

There were two business values which came from this simple change of perception:

1) The improvements/optimization of the business processes were pushed by the "process workers"; they become service providers and this changed the entire "game."

2) It became quite easy to manage changes in the operations because people saw them just as the changes in their consumers/suppliers and not as an impact on their daily work. The responses to the changes were strong and timely.

The first outcome we witnessed precisely met the engagement objectives: improved business processes, shorten time to market, saving on operational waste and, as a result, business advantage of the company in the market. Moreover, the company's consumer satisfaction increased as well due to the accuracy of the results and speedy reaction to the order adjustments.

Changes and Service-Oriented Corporate Culture

Realization of the Concept of Service-Orientation requires some changes in corporate culture if initially it had been created around processes and isolated value flows.

Why is this so? Service-Orientation is the optimal business response to the changing economy that requires an adequate reaction from an enterprise. Process-centric organization and related Hierarchy Culture cannot compete in the dynamic environment that requires an economy of scale. Service-Orientation includes the reaction factor in its foundation while no other modern concepts do.

Wikipedia says: *"Change of culture in the organizations is very important and inevitable. Culture innovation is bound to be because it entails introducing something new and substantially different from what prevails in existing cultures"* [4]. However, *"Cultural innovation is … more difficult than cultural maintenance. People often resist changes"* [4]. Sometimes

it is even worse – "instead of dealing with a problem, which requires cultural change, some managers put a 'taboo' on changes to minimise disturbances."

Our own research has found that usually people resist cultural changes when they do not fit with social structure. The opposite is true as well – if the change is in sync with social structure, the corporate culture changes quickly. The emerging concept and methodology of Value Networks Analysis (VNA) [5] targets uncovering of formal and informal interpersonal relationships. If you wonder why the things happen in the company in a certain way, look into a VNA for the answer.

We believe that the essence of human relationships and interactions at work is an orientation on service – one helps another in this or that way. So, if a change is represented as a modification of the service execution context and is set in sync with the social interconnections, depicted by VNA, the response to the cultural change will be massive and strong. This is the major indicator of the strong corporate culture – if the people's response is weak, we can be sure that the cultural impact missed the target and we cannot count on the acceptance of related changes.

It is noticed that changes in corporate culture have more chances to succeed if they move top-down. We are talking about focusing on the managed changes dictated by an economic situation around the company rather than accidental organic changes in the social structure. The way to win a business cultural change is to find something personally valuable to everyone in the change, like a personal incentive. A notion of service naturally carries such values: "if everyone, including me, performs his or her services well, there is a strong hope that I will also be served well by others."

When Service-Orientation comes top-down, even before changing governing policies a company should change its vocabulary and strategy semantics. This includes redefining or rephrasing the formula of what an organization is about, what it does, and what its mission and values are. The task is to find people's response to such a 'semantic' stimulus and to give them a chance to think whether they can continue doing the same as they did before within the new formula.

During the process of learning these semantics, many people find some mismatches between new terms and actual activities that implement these terms. These mismatches stimulate concerns about whether what they do is really what is meant to be done. If these concerns do not result in a change of activities, a new way of thinking about activity modifications comes into play, i.e. it makes the first step towards a cultural change.

In the next step, an organization has to change its power structure and control system. That is, the changes have to happen in the areas of governance, decision making and decision influences: who makes decisions and based on what. These types of changes create a foundation for forming new relationships and related internal social rules. Simultaneously people see changes in product lines – not only in the names but in the functionality and related operational dependencies. Soon after this, the new semantics and duties will get into conflict with the organizational structure and formal operations, demanding their changes as well.

Unfortunately, this path of changes may be blocked much earlier. If new semantics has been announced but the power structure and controls have remained the same, the same mangers demand the same style of work, people understand that the announcement was for the executives to "tick a delivery" with no incentives for others. Such announcements are a waste of time.

However, if people get new duties based on changed corporate semantics, mentioned conflict prepares the soil for the final step where cultural demand gets synchronised firstly with governing policies, and secondly with organizational structure.

Sometimes management tries to accelerate this last step or even move it to an earlier stage by hiring new people, with new ideas and innovations. Such "new blood" can bring a positive effect only on two conditions:

a) A new person has to have enough administrative authority to stand up against an old corporate culture; and

b) Local people capable to accept new cultural behaviour driven by the innovations. If any one of these two conditions is not in place, the invited innovator will fail together with the innovations.

If corporate management focuses finally on doing the right thing right, instead of hiring an "innovator," they have a chance to sync the power and control and, then, governance and organization of the company with the social structure documented in the Value Networks. The foundation for this synchronisation is a simple idea of servicing each other.

A model of service-oriented behaviour is recursive. It works bottom-up and top-down as shown in Figure 3.
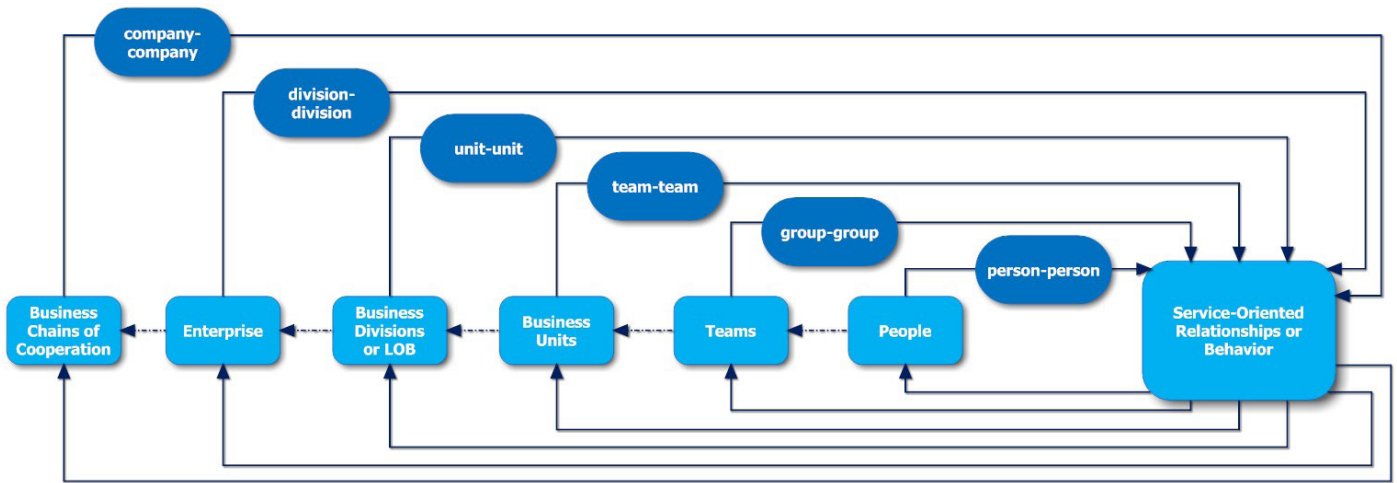
Figure 3 - A recursive model of service-oriented behaviour

Someone can say that this is what we do already. Well, almost. The service-oriented behavioural and operational model differs from the contemporary practice of the majority of companies in that service-oriented model is based on influences, policies and contracts, and does not accept hierarchies, subordinations and commands. Let's review a simple example of regional management of the product operations.

In the oversimplified case, a Product Manager has two lines of reporting – to the Worldwide Sales Director, or Business Strategy Manager, or even Marketing and to the Regional Business Manager. The Product comprises certain business functions and their implementation via operations and capabilities including automated capabilities. The management of this Product's elements reports into the Product Manager.

In the service-oriented model, the picture is different: business functions are realised by different Business Service providers or business teams/units. They have their consumers and suppliers, if needed. Managers of these teams/units do not report into the Product Manager but have contracts on cooperation. The Product Manager him/herself is not a subordinate but a service aggregator who offers this aggregation outcome to its consumers, while the Business Services appear as the Product's suppliers. The Product Manager does not report into Regional Manager or any other Manager but services them. These are market-type services – a service needs customers to survive, the service must be competitive internally and externally because otherwise it risks to lose the customers. The customers cannot command the service but they buy the service only if it is good for them. That is, if a service becomes not so good, the consumers can buy another service from the competitors.

Thus, if a Regional Manager requests a customization of the Product for a particular customer, the Product Manager responds not with "Yes, sir" but with "We will review your request to see if this is profitable to us and will let you know." So, the Regional Manager has to have a few

Figure 4 - Construction of Service-Oriented Corporate Culture

redundant competing Product providers while the Product Manager has to consider what is better to the Product – to invest into customization (i.e. hiring another Business Service with required functionality and a feature of customization) or miss this opportunity and, potentially, lose this consumer. At the end, the initial consumer can find that offered Product is not the one it needs or that it has to reconsider the needs and accept what is available in the market with much less customization.

Described service-oriented model requires a service-oriented way of thinking and, respectively, Service-Oriented Corporate Culture. The major power of such model and culture is the natural capability of adoption of market changes. That is, this behavioural and cultural model helps a great deal in achieving business goals and beating competitors in the modern dynamic market.

You have probably noticed elements of Adaptive and Market types of behaviour in the described example. This is the right note. The all-embracing Service-Oriented Corporate Culture capitalises on the adaptive elements of the Adhocracy and Market cultures but centres around the consumers (consumers' needs and convenience) as shown in Figure 4.

"…only cultures that can help organizations anticipate and adapt to environmental change will be associated with superior performance over the long time " [6]. The research conducted by Harris, L.C., Ogbonna E. [7] found that cultures that are externally orientated tend to be more strongly associated with organizational performance than those cultures which are predominantly internally focused.

Conclusion

Highly dynamic economic environment requires from companies an ability to react to changes in the same high pace. Service-oriented organization of business is the optimal model capable to match the dynamics of the market. However, service-oriented business cannot survive without being supported by adequate corporate culture. In this white paper, we described an emerging type of Service-Oriented Corporate Culture. We reviewed the sources of such culture including social structure of a company and its elements defined in the OASIS SOA RAF specification. We have linked the Value Networks Analysis with mechanisms of changing social structure in order to create a corporate culture that would support service-oriented relationships not only between people but also between business units and even enterprises.

Service-Oriented Corporate Culture makes a company flexible while focused on consumers, external and internal. This provides not only sustainability in the unstable market but also a competitive advantage based on high responsiveness to changes and strong cultural support for reorganizations and innovations.

Resources

This White Paper uses some ideas and materials from the Michael Poulin's pre-copyrighted book "Architects Know What Managers Don't," ISBN 978-0-9575199-0-9, BuTechCon Ltd., 2013

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