Internal Cultural Barriers to E-Commerce Implementation: A Case Study of How Ineffective Leadership Doomed XYZ’s Online Transaction System

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EXECUTIVE SUMMARY

This case study examines the impact of organizational culture on an e-commerce application. In examining the failed efforts of a Minnesota (MN), USA organization, XYZ, to design and implement an online transaction system, this study explores what happens when departmental infighting, inadequate planning, poor communication, and other negative influences stemming from organizational dysfunction can sidetrack a project. Often the success or failure of an organization’s efforts to adopt new technology rests less with the quality of that technology and more with the quality of the organization’s leadership. Just as strong leadership champions the productive change that technology can bring to an organization, weak leadership promotes resistance to such change by not providing the vision and message necessary to keep internal divisions within organizational culture from fomenting failure. Despite the best technology and practices available, and the fact that the best people are sometimes brought in to lend their expertise, an array of internal barriers brought about by the absence of strong leadership often stymies and eventually dooms technology efforts within organizations. It offers a detailed example of how ineffective leadership and the long-festering internal barriers that result from it at one organization, XYZ, can lead to the failure to implement an online transaction system. Even though this system was budget-approved, was pushed for adoption by the XYZ board of directors, and was staffed with outside experts to lend their expertise, weak leadership, and the by-product of it, namely a divisive internal culture resistant to change, meant that XYZ’s online transaction system never had a chance to be successful.

Keywords: cultural barriers; e-commerce costs; e-commerce implementation; leadership traits; management issues; online transactions; organizational leadership; organizational strategies; project planning; Web site design; Web site development

LITERATURE REVIEW

To put XYZ’s specific case into the proper context, the following literature review provides a brief overview of relevant critical works, including those related to internal culture and the role of leadership in promoting effective change within an organization.
Internal Culture: A Subset of the Organization

An organization’s internal culture is comprised of the management/leaders and employees who work for and are part of the actual company or entity (Bertrand, 2002; Deadrick, 1997). This internal culture sets the tone for how the overall organization will interact both with its own members and with external cultural factors. What is particularly important is that internal cultures provide members with a framework for understanding how to operate effectively within the overall organization (Bloor, 1994; Deadrick, 1997). It, in effect, provides the rules governing how one should perform his or her tasks within the organization’s structure. Such information gives individuals confidence needed to carry out tasks effectively and efficiently. It also, as Deadrick (1997) notes, provides rules that offer a degree of stability and assurance for what to expect from the organization in the future. Again, as such cultural factors relate to the success of the overall organization, employees often look to superiors for models of how to behave within the organization’s culture (Bertrand, 2002; Tan, 2000; Weiss, 2001).

Clement (1994) explains that an organization’s internal culture can be further divided into professional or departmental/divisional cultures that provide members with information on how to act within the context of a particular work group. Ideally, professional or divisional subcultures reflect the values, ideas, and behaviors of both the greater internal culture and the overall organizational culture. Such a correlation, however, is not always the case.

The problem relates to the fact that the focus of professional culture is success within the contexts of a relatively small unit (Bloor, 1994). Such narrow focus could allow the members of a professional culture to place the values of that culture above those of the overall organization, forgetting how their actions relate to the overall culture of their employing organization. As a result, professional or divisional cultures could have behaviors, values, or attitudes that are different from the greater organizational culture. Bloor (1994) notes that “professional cultures are rarely replaced or totally absorbed into the wider organizational culture.” In such cases, these professional cultures could develop behavior that works well for their members but that jeopardize the stability of the overall organization. As the subsequent case study will show, XYZ’s organizational culture is such that departments have long seen themselves as competitors. As a result, communication and interaction between departments is often guarded if not hostile.

Change: How Organizational Cultures Can React

Changing the way an organization operates is no easy feat. Unfortunately, when attempting such change, leadership often focuses on issues related to technologies or business practices (e.g., total quality management). Yet, as commentators such as Clement (1994) note, it is an organization’s culture that poses the greatest obstacle to change in that organization. For this reason, no organization can create effective, long-term change until it first understands the importance of its culture and attempts to address change in terms of that culture.