

Introduction to **Management**

Lecture 3



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Chapter 3: Organizational Culture & Environment



Learning Objectives

- Contrast the actions of managers according to the omnipotent and symbolic views
- Describe the constraints and challenges facing managers in today's external environment
- Discuss the characteristics and importance of organizational culture
- Describe current issues in organizational culture



The Manager: Omnipotent or Symbolic?

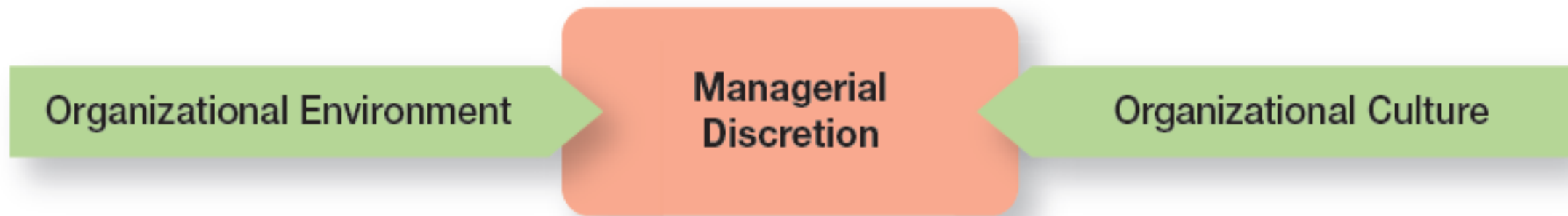
How much **difference** does a manager make in how an organization performs?

- **Omnipotent view:** managers are directly responsible for an organization's success or failure. This is the dominant view in management theory and society in general.
- **Symbolic view:** much of an organization's success or failure is due to external forces outside managers' control. This is the counter opinion.



Managerial Constraints

- In reality, managers are neither all-powerful nor helpless. But their decisions and actions are constrained.
- **External constraints** come from the **organization's environment** and **internal constraints** come from the **organization's culture**



The External Environment

- Includes factors and forces **outside** the organization that affect the organization's performance.
- It is composed of:
 - **Specific environment:** external forces that have a direct and immediate impact on the organization.
 - **General environment:** broad economic, socio-cultural, political/legal, demographic, technological, and global **conditions** that *may* affect the organization.



The Specific Environment

Customers

- An organization exists to **meet the needs** of customers who use its output
- Customers represent potential uncertainty to an organization because **their tastes can change** or they can become dissatisfied with the organization's products or service

Suppliers

- Suppliers ensure a steady flow of needed inputs (supplies)
- Limited or delayed in delivery can constrain managers' decisions and actions
- Suppliers also provide financial and labor inputs



The Specific Environment

Competitors

- All organizations – profit and not-for-profit – have competitors
- Managers cannot afford to **ignore** the competition

Public Pressure Groups

- Managers must **recognize special-interest groups** that attempt to influence the actions of organizations



Exhibit 3-2 Components of External Environment



The General External Environment

- Those factors and forces outside the organization that affect its performance
 - **Economic** (e.g. interest rates, inflation, changes in disposable income, stock market fluctuations, and business cycle stages).
 - **Demographic** (e.g. age, race, gender, education level, geographic location, and family composition).
 - **Political/Legal** (e.g. local laws as well as global laws and laws of other countries, & also includes a country's political conditions and stability).
 - **Sociocultural** (e.g. as values, attitudes, trends, traditions, lifestyles, beliefs, tastes, and patterns of behavior).
 - **Technological** (i.e. scientific or industrial innovations).
 - **Global** (i.e. issues associated with globalization and a world economy).



The General Environment

The Economic Environment

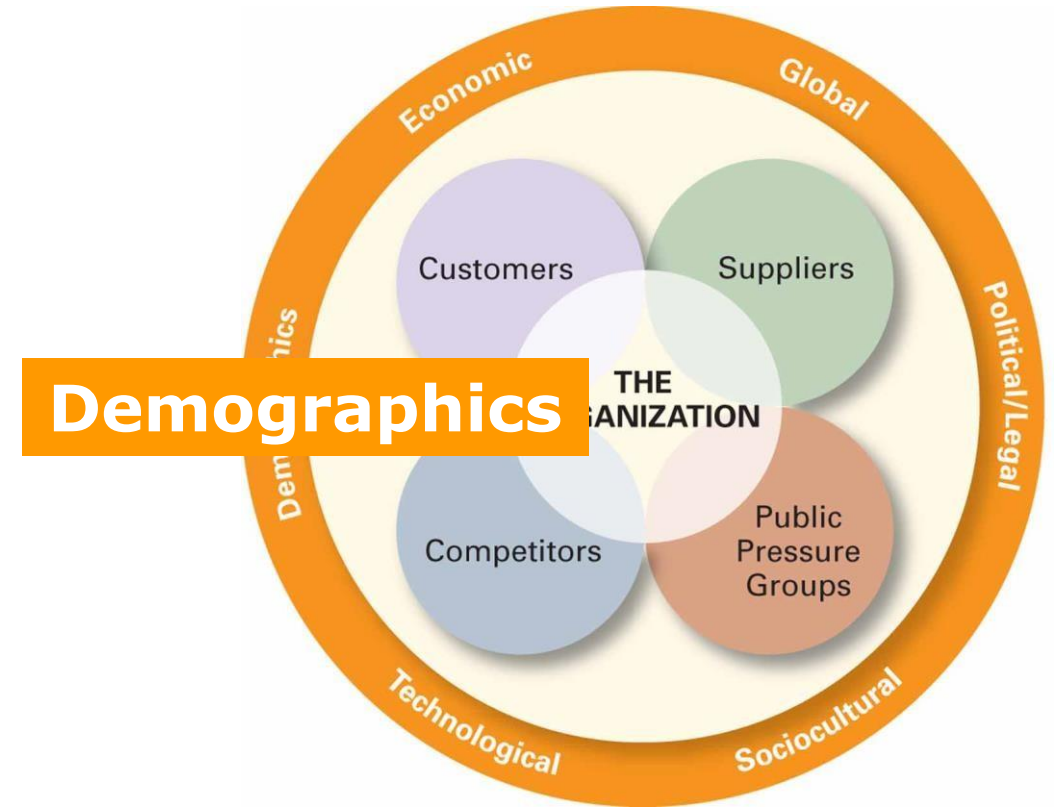
- Managers need to be aware of the economic context so they can make the best decisions for their organizations
- Like many global businesses, Nestlé is facing increased commodity costs. The maker of products from Crunch chocolate bars to Nescafé coffee to Purina pet food has seen the **price of chocolate, for instance, increase by nearly 30 percent in five years**. Overall, Nestlé spends more than \$30 billion a year on raw materials
- Rising costs are also affecting the cost of sushi. Higher global demand for fish and the Japanese and U.S. currency exchange rates are influencing prices
- **Commodity (raw materials) costs** are just one of the many volatile economic factors facing organizations



The General Environment

The Demographic Environment

- Demographic conditions encompass trends in population characteristics such as gender, age, level of education, geographic location, income, and family composition
- Changes in these characteristics may constrain how managers plan, organize, lead, and control
- Age is a particularly important demographic since the workplace often has different age groups all working together
 - Baby Boomers
 - Gen Y (Millennials)
 - Post-Millennials
- The **size and characteristics of a country's population** can have a significant effect on what it's able to achieve in politics, economics, and culture



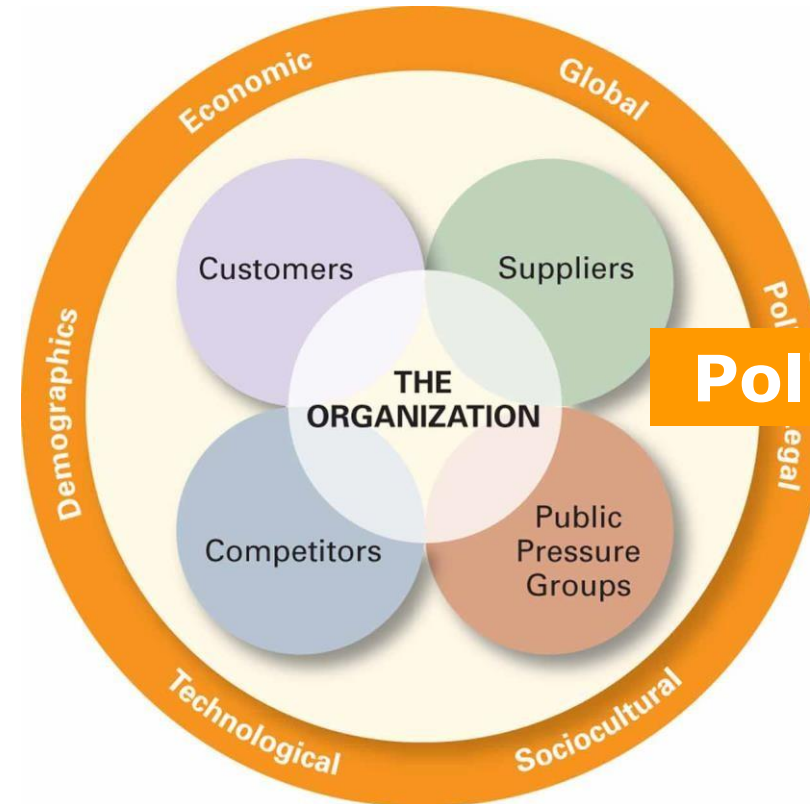
- Gen Y is an important demographic at Facebook, where most employees are under 40. The company values the passion and pioneering spirit of its young employees who embrace the challenges of building groundbreaking technology and of working in a fast-paced environment with considerable change and ambiguity



The General Environment

The Political Environment

- Local laws, as well as global and other country laws and regulations, influence what organizations can and cannot do
- They reduce managerial discretion by limiting available choices (Example: legal implications of dismissing an employee)
- Impact of **stability** on organizations.



Political/Legal





Nestlé operates in Saudi Arabia and United Arab Emirates among others. In these two countries, Nestlé faces the Islamic Law and has created the Nestlé Halal Committee to foresee the Halal products produced by Nestlé Malaysia. (Ahmadnawi & Nestlé)

[About Us](#)[Our Stories](#)[Brands](#)[Creating Shared Value](#)[Nutrition, Health & Wellness](#)[Ask Nestlé](#)

[Home](#) > [About Us](#) > [Our Halal Commitment](#) > [Nestlé Malaysia's Halal Policy](#)

Nestlé Malaysia's Halal Policy



The General Environment

The Sociocultural Environment

- Managers must adapt their practices to the changing expectations of the society in which they operate.
- As these values, customs, and tastes change, managers must also change.
- E.g.: As workers increasingly seek a work–life balance, organizations offer solutions.





Case against Nestle

In 1800s, Nestle had a harmful image. Nestle created and marketed infant formula as a substitute to human milk for mothers who do not breast feed. However, due to profit motive reason. Nestle managed to persuade a large proportion of mothers in the Third World that infant formula was better for their babies than human milk. But the fact is that breast milk is essential for babies because it provides them with certain nutrients and antibodies that cannot be substituted. This negatively affected the society's lifestyle.



Meatless meals

Are you a flexitarian? We've checked off your flavor and nutrition needs



Grown respectfully

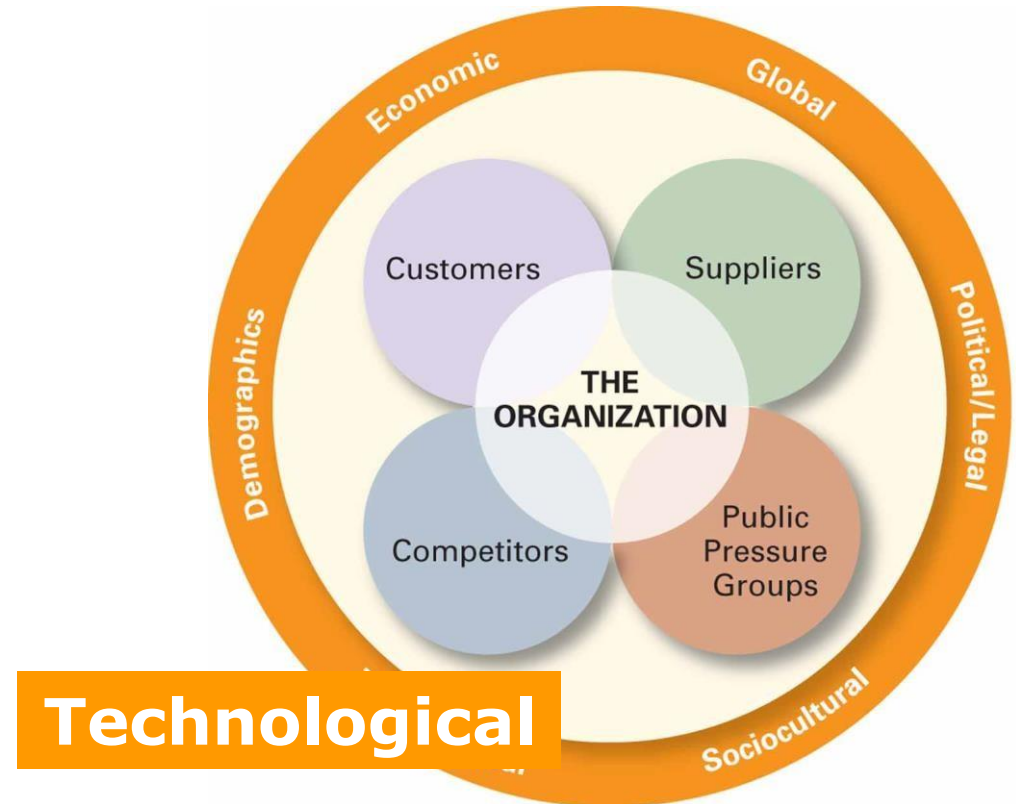
The *Nescafé Plan* helps coffee farmers like Eduardo thrive



The General Environment

The Technological Environment

- The most rapid changes have occurred in technology
- Companies that capitalize on technology, such as General Electric, eBay, and Google, prosper
- Technology has changed the organizations structures and the way managers manage





The quest for better packaging

Rethinking the future of plastics

Nestle from packaging and equipment, to food processing technologies and manufacturing new beverage systems such as *Nespresso*, *Nescafé Dolce Gusto*, *Special. T* and *BabyNes*. They have also developed a large number of different technologies. For example; Fermentation and probiotics, Extrusion, Healthier fats, Foam booster technology, Malt extraction, and Portion dispensing systems.



The General Environment

The Global Environment

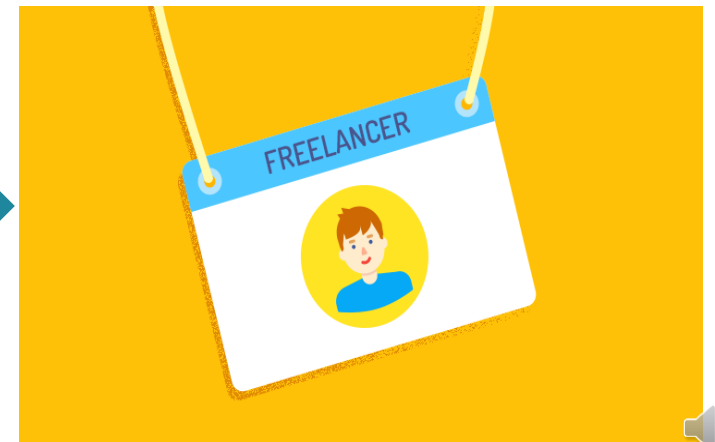
- Globalization is one of the major factors affecting managers and organizations
- Managers are challenged by an increasing number of global competitors



How the External Environment Affects Managers?

Jobs & Employment

- **Jobs and Employment:** the impact of external factors on jobs and employment is one of the most powerful constraints managers face -both in poor conditions and in good conditions
- The power of this constraint was painfully obvious during the **last global recession** as millions of jobs were eliminated and unemployment rates rose to levels not seen in many years. Businesses have been slow to reinstate jobs, creating continued hardships for those individuals looking for work
- Not only do changes in external conditions affect the **types of jobs that are available**, they **affect how those jobs are created and managed**
- For instance, work tasks may be done by **freelancers** hired to work on an as-needed basis, or by **temporary workers** who work full-time but are not permanent employees, or by **individuals who share jobs**



How the External Environment Affects Managers?

Assessing Environmental Uncertainty

- **Environmental uncertainty:** the degree of change and complexity in an organization's environment. It has two dimensions:



- If the components in an organization's environment change frequently, it's a *dynamic* environment
- If change is minimal, it's a *stable* one
- A stable environment might be one with no new competitors, few technological breakthroughs by current competitors, little activity by pressure groups to influence the organization, and so forth



- It looks at the number of components in an organization's environment and the extent of the knowledge that the organization has about those components
- An organization with fewer competitors, customers, suppliers, government agencies, and so forth faces a less complex and uncertain environment
- Complexity is also measured in terms of the knowledge an organization needs about its environment



Examples Explaining the Degree of Change (Stable Vs. Dynamic)



Abu Dhabi Aviation is the largest commercial helicopter operator in the ME., operating 59 helicopters and employing over 748 personnel

Stable or Dynamic?



Departmental stores make one around one third of their sales just before the holiday seasons. The drop-off after the holiday season is significant

Stable or Dynamic?



In the recoded music industry , digital formats and music download sites have turned the industry upside down

Stable or Dynamic?



Examples Explaining the Degree of Change (Stable Vs. Dynamic)



Abu Dhabi Aviation is the largest commercial helicopter operator in the ME., operating 59 helicopters and employing over 748 personnel

Stable



Departmental stores make one around one third of their sales just before the holiday seasons. The drop-off after the holiday season is significant

Stable



In the recoded music industry , digital formats and music download sites have turned the industry upside down

Dynamic



Example on How to Reduce the Complexity of the Environment

Hasbro Toy Company

- Hasbro toy company (one of the largest toy manufacturer in the world) simplified its environment by acquiring many of its competitors
- When an organization has fewer competitors, customers, suppliers and so forth, the less complex and uncertain its environment is

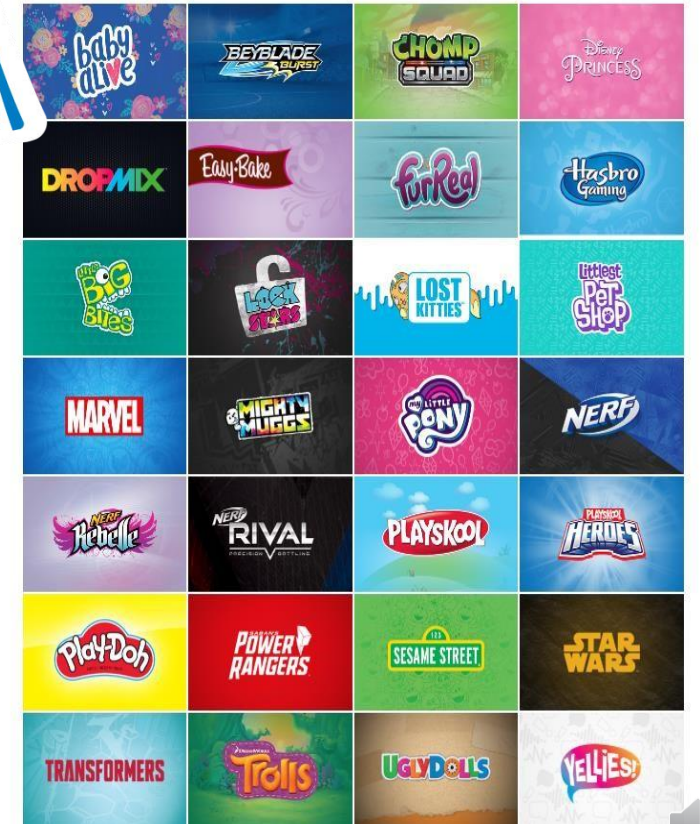


Exhibit 3-3 Environmental Uncertainty Matrix

		Degree of Change	
		Stable	Dynamic
Degree of Complexity	Simple	Cell 1 Stable and predictable environment Few components in environment Components are somewhat similar and remain basically the same Minimal need for sophisticated knowledge of components	Cell 2 Dynamic and unpredictable environment Few components in environment Components are somewhat similar but are continually changing Minimal need for sophisticated knowledge of components
	Complex	Cell 3 Stable and predictable environment Many components in environment Components are not similar to one another and remain basically the same High need for sophisticated knowledge of components	Cell 4 Dynamic and unpredictable environment Many components in environment Components are not similar to one another and are continually changing High need for sophisticated knowledge of components

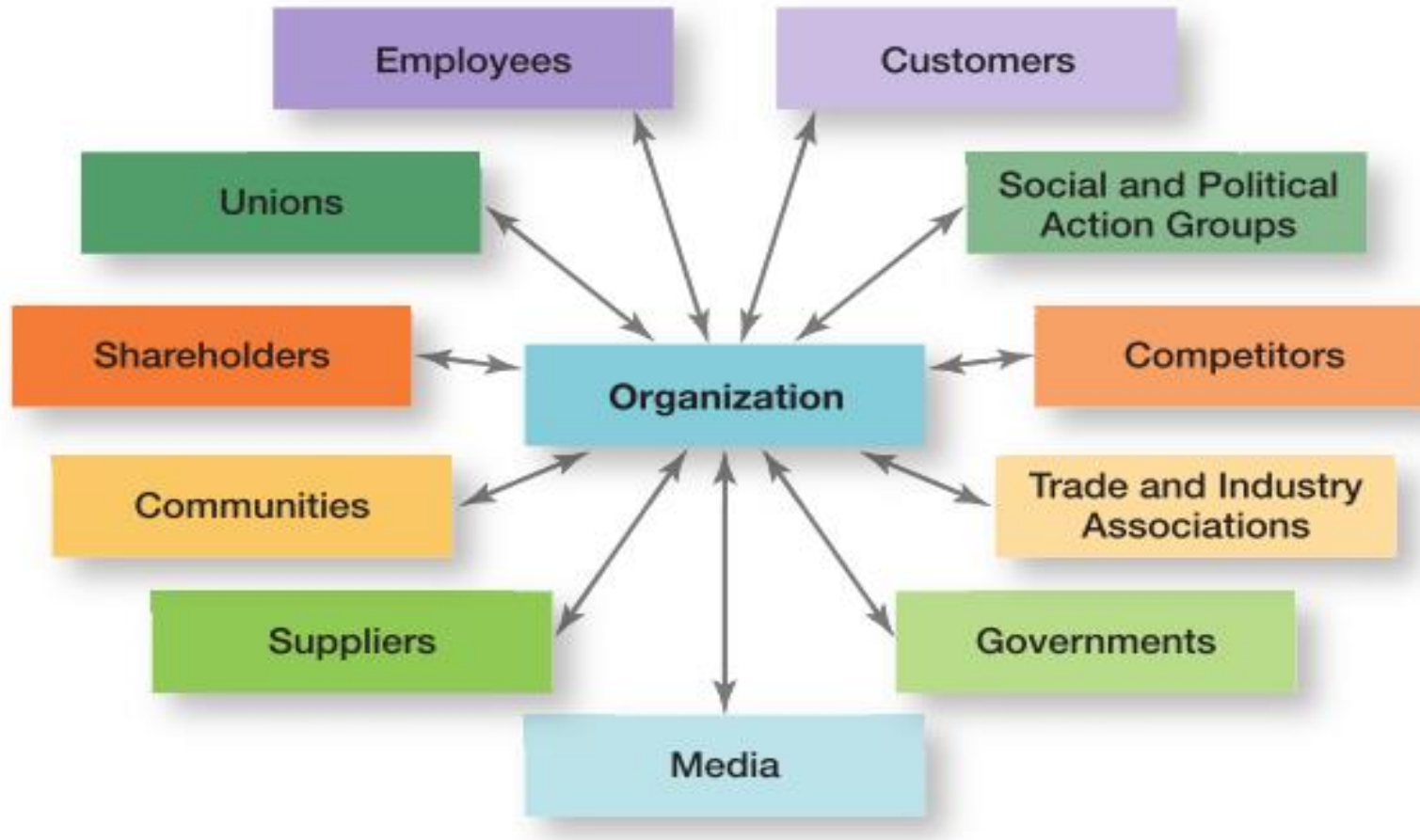


Managing Stakeholder Relationships

- **Stakeholders:** any constituencies in the organization's environment that are affected by an organization's decisions and actions
- These groups have a stake in or are significantly influenced by what the organization does. In turn, these groups can influence the organization
- The nature of stakeholder relationships is another way in which the environment influences managers. The more obvious and secure these relationships, the more influence managers will have over organizational outcomes
- Management researchers who have looked at this issue are finding that managers of high-performing companies tend to **consider the interests of all major stakeholder groups** as they make decisions



Exhibit 3-4 Organizational Stakeholders



Benefits of Good Stakeholder Relationships

- It's the "right" thing to do. Because an organization depends on these external groups as sources of inputs (resources) and as outlets for outputs (goods and services), managers need to consider their interests as they make decisions.

- Improved predictability of environmental changes

- Increased successful innovations

- Increased trust among stakeholders

- Greater organizational flexibility to reduce the impact of change



What is Organizational Culture?

- Just as each individual has a unique personality traits and characteristics influence the way we act and interact with others; an organization, too, has a personality, which is referred to as **organizational culture**
- **Organizational culture:** the shared values, principles, traditions, and ways of doing things that influence the way organizational members act and that distinguish the organization from other organizations
- An organization's culture can make employees feel included, empowered, and supported or it can make them feel the opposite
- Because culture can be a very powerful agent in organizations, it is very important for managers to pay attention to it



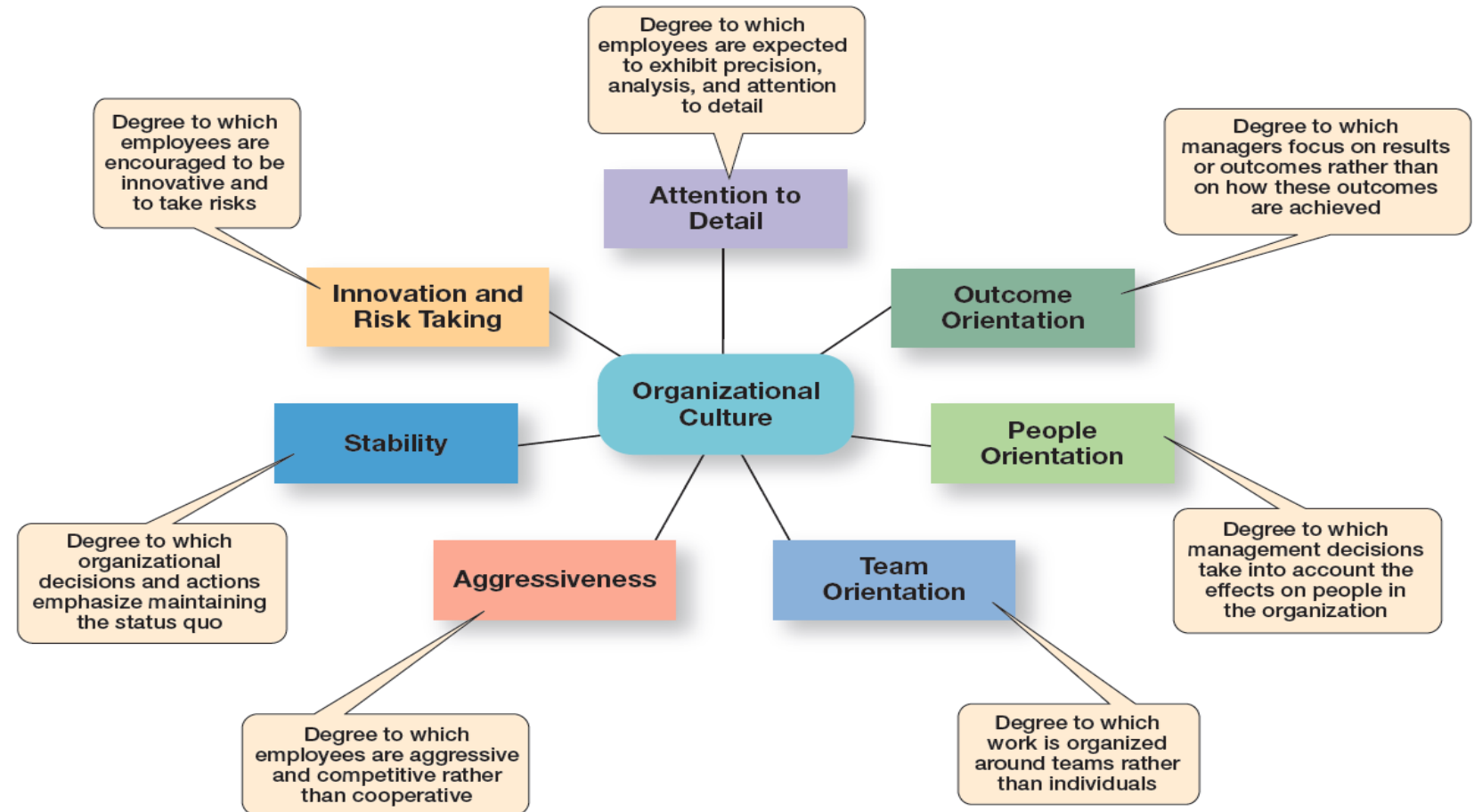
What is Organizational Culture?

- Thus, the definition of culture implies three things.
 - First, culture is a **perception**. It's not something that can be physically touched or seen, but employees perceive it on the basis of what they experience within the organization
 - Second, organizational culture is **descriptive**. It's concerned with how members perceive the culture and describe it, not with whether they like it
 - Finally, even though individuals may have different backgrounds or work at different organizational levels, **they tend to describe the organization's culture in similar terms**. That's the shared aspect of culture



Exhibit 3-5 Dimensions of Organizational Culture

- These dimensions range from low to high, meaning it's not very typical of the culture (low) or is very typical of the culture (high).
- Describing an organization using these seven dimensions gives a **composite picture** of the organization's culture.



Organizational Culture Apple Example



Can you list some of the multinational corporations with best corporate culture?



Top Global Corporate Cultures in 2019 According to Forbes Magazine



"There is a consistent effort to be **transparent** and have a **diverse work culture**. People are encouraged to speak up and solve problems." – Microsoft



"Intangibles are great. People are cool; opportunities are around, quality of life, in general, is high." – Google



Other Top Global Corporate Cultures in 2019



- Netflix's culture is described by **freedom** and **responsibility**
- It expects its staff to **strive for excellence** and **work as a team** to achieve the best results they can.
- Employees love the **sense of trust** and flexibility that they have, as the company encourages its staff to take the initiative and create their own work schedules.



- The coffee giant is strongly committed to **inclusion, diversity** and **equity**.
- Indeed, regardless of their role, all Starbucks employees are referred to as **partners** in order to form a sense of unity.
- Beyond in-store discounts and free coffee and tea, Starbucks partners have their pick on stock options, tuition support, health insurance and even a crisis fund



- Airbnb's motto '**Belong anywhere**' isn't limited to its customer base.
- Indeed, the online lodging marketplace strives to create an environment where all its employees can find their place.
- Its staff get the complete Airbnb experience too, as the company offers travel coupons that allow its employees to come in direct contact with their work.



In your opinion, which companies are known for good corporate culture in Egypt?



Example of Multinationals Identified as Best Employers in Egypt for the year 2019

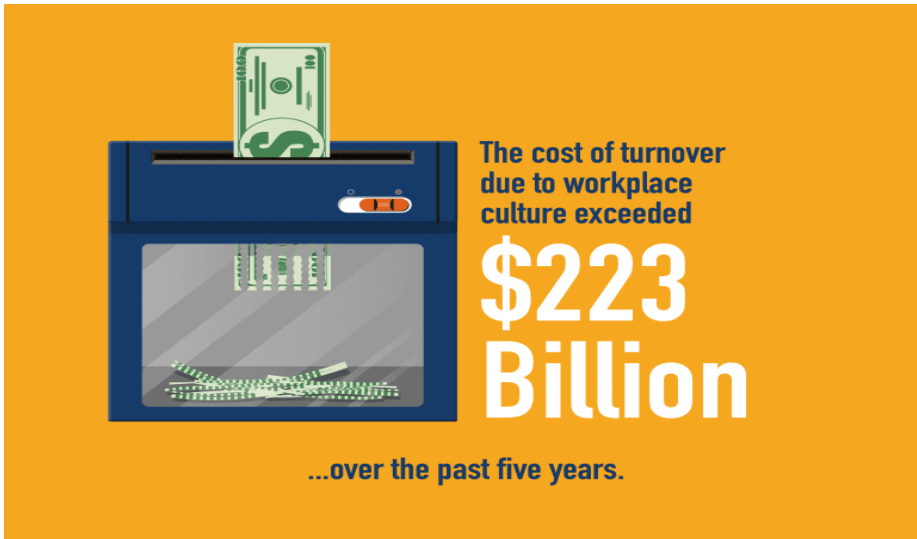
According to the [Top Employer Institute](#), the following companies have been identified for being the best employers in Egypt believing in importance of good corporate culture through valuing and empowering their employees



What is the possible impact of toxic corporate cultures on workers and on the company itself?



Toxic Workplace Cultures Hurt Workers and Company Profits



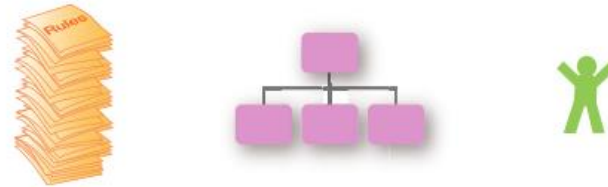
Toxic Workplace Cultures Hurt Workers and Company Profits



Exhibit 3-6 Contrasting Organizational Culture

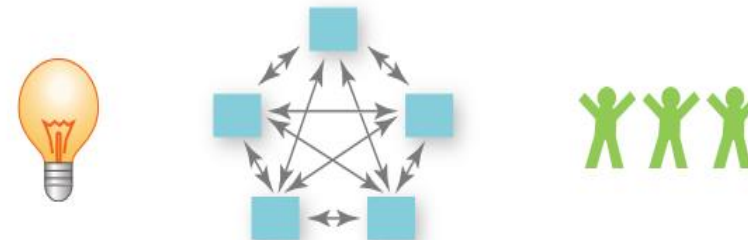
- Risk-taking and change discouraged
- Creativity discouraged
- Close managerial supervision
- Work designed around individual employees

Organization A



- Risk-taking and change rewarded
- Creativity and innovation rewarded
- Management trusts employees
- Work designed around teams

Organization B



Organizational Culture

Strong Organizational Cultures

- **Organizational cultures** can be either Strong or Weak ones
- Most organizations have moderate to strong cultures; that is, there is relatively high agreement on what's important, what defines "good" employee behavior, what it takes to get ahead, and so forth
- The stronger a culture becomes, the more it affects the way managers plan, organize, lead, and control
- Strong cultures are ones in which the key values are intensely held and widely shared
- Strong cultures have a greater influence on employees than weaker cultures
- The more employees accept the organization's key values and the greater their commitment to those values, the stronger the culture is



Exhibit 3-7 Strong Versus Weak Cultures

Strong Cultures	Weak Cultures
Values widely shared	Values limited to a few people – usually top management
Culture conveys consistent messages about what's important	Culture sends contradictory messages about what's important
Most employees can tell stories about company history or heroes	Employees have little knowledge of company history or heroes
Employees strongly identify with culture	Employees have little identification with culture
Strong connection between shared values and behaviors	Little connection between shared values and behaviors



Where Organizational Culture Comes From ? and How it Continues?



Organizational Culture

Where Culture Comes From and How it Continues?

- The original source of the culture usually reflects the vision of the founders.
- Company founders are not constrained by previous customs or approaches and can establish the early culture by articulating a vision of what they want the organization to be.
- Also, the small size of most new organizations makes it easier to instill that vision with all organizational members.
- Once the culture is in place, certain organizational practices help maintain it.
- For instance, **during the employee selection process**, managers typically judge job candidates not only on the job requirements, but also on **how well they might fit into the organization**. At the same time, job candidates find out information about the organization and determine whether they are comfortable with what they see.



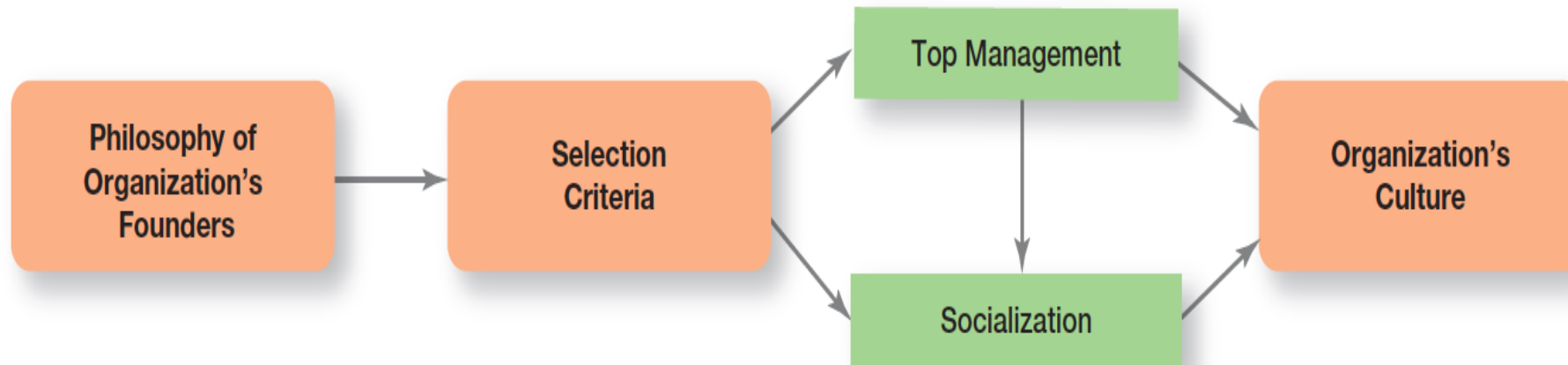
Organizational Culture

Where Culture Comes From and How it Continues?

- The actions of top managers also have a major impact on the organization's culture
- Through **what they say and how they behave**, top managers establish norms that filter down through the organization and can have a positive effect on employees' behaviors
- For instance, Gravity CEO, Dan Price, raised the minimum wage at his firm to \$70,000 annually and has cut his million dollar salary to fund those pay increases. Since making this decision, Gravity's financial performance has raised
- However, as we've seen in numerous corporate ethics scandals, the actions of top managers also can lead to undesirable outcomes



Exhibit 3-8 Establishing and Maintaining Culture



How employees learn culture?



Organizational Culture

How Employees Learn Culture?

- **Stories:** typically contain a narrative of significant events or people, including such things as the organization's founders, rule breaking, reactions to past mistakes, and so forth
- To help employees learn the culture, organizational stories anchor the present in the past, provide explanations and legitimacy for current practices, exemplify what is important to the organization, and provide compelling pictures of an organization's goals
- **Rituals:** are repetitive sequences of activities that express and reinforce the important values and goals of the organization
- One of the best-known corporate rituals is **Mary Kay Cosmetics' annual awards** ceremony for its sales representatives



Organizational Culture

How Employees Learn Culture?

- **Material Artifacts and Symbols:** The layout of an organization's facilities, how employees dress, the types of automobiles provided to top executives, and the availability of corporate aircraft are examples of material symbols.
- Others include the size of offices, the elegance of furnishings, executive "perks" (extra benefits provided to managers such as health club memberships, use of company-owned facilities, and so forth), employee fitness centers or on-site dining facilities, and reserved parking spaces for certain employees.
- **Language:** Many organizations and units within organizations use language as a way to identify and unite members of a culture.
- Over time, organizations often develop unique terms to describe equipment, key personnel, suppliers, customers, processes, or products related to its business. New employees are frequently overwhelmed with acronyms and jargon that, after a short period of time, become a natural part of their language. Once learned, **this language acts as a common denominator that bonds members**



Organizational Culture

How Cultures Affect Managers?

- Because an organization's culture constrains what they can and cannot do and how they manage, it's particularly relevant to managers
- **Such constraints are rarely explicit.** They're not written down. It's unlikely they'll even be spoken. But they're there, and all managers quickly learn what to do and not do in their organization
- The link between values such as these and managerial behavior is fairly straightforward. Take, for example, a so-called **"ready-aim- re"** culture. In such an organization, managers will study and analyze proposed projects endlessly before committing to them. However, in a **"ready- re-aim"** culture, managers take action and then analyze what has been done



Exhibit 3-9 Types of Managerial Decisions Affected by Culture



Current Organizational Culture Issues

- Creating a sustainability culture



- Creating an innovative culture



- Creating a customer-responsive culture



- Creating a culture that supports diversity



- Spirituality and Organizational culture



Creating a Sustainability Culture

- For many companies, sustainability is developed into the organization's overall culture
- Companies can create rituals to create and maintain sustainability cultures
- Some practices could be:
 - Having a "Social Responsibility Day"
 - Recycling integration within the value-chain
 - Alternatively, managers may use rewards. Management begins each corporate meeting with the topic of sustainability. **Employees' bonuses are tied to meeting sustainability goals**



Creating an Innovative Culture

In a survey of senior executives, over half said that the most important driver of innovation for companies **was a supportive corporate culture**

But not every company has established an adequate culture to foster innovation

In a survey of employees, about half expressed that a culture of management support is very important to the generation of innovative ideas, but only **20%** believe that management actually provides such support

An innovative culture is characterized by:

- **Challenge and involvement** (Are employees involved in, motivated by and committed to the long-term goals?)
- **Freedom** (Can employees independently define their work and take initiative in their day-to-day activities?)
- **Trust and openness** (Are employees supportive and respectful to each other?)
- **Idea time** (Do employees have time to elaborate on new ideas before taking actions?)
- **Playfulness/humor** (Is the workplace spontaneous and fun?)
- **Conflict resolution** (Do individuals make decisions based on the good of the organization vs. personal interest?)
- **Debates** (Are employees allowed to express opinions?)
- **Risk taking** (Do managers tolerate uncertainty and ambiguity and are employees rewarded for taking risks?)



Exhibit 3-10 Creating a Customer Responsive Culture

Characteristics of Customer Responsive Culture	Suggestions for Managers
Type of employee	Hire people with personalities and attitudes consistent with customer service: friendly, attentive, enthusiastic, patient, good listening skills
Type of job environment	Design jobs so employees have as much control as possible to satisfy customers, without rigid rules and procedures
Empowerment	Give service-contact employees the discretion to make day-to-day decisions on job-related activities
Role clarity	Reduce uncertainty about what service-contact employees can and cannot do by continual training on product knowledge, listening, and other behavioral skills
Consistent desire to satisfy and delight customers	Clarify organization's commitment to do whatever it takes, even if it's outside an employee's normal job requirements



Spirituality and Organizational Culture

■ **Workplace Spirituality** is the recognition that people have an inner life that nourishes and is nourished by meaningful work that takes place in the context of community

■ Benefits of Spirituality:

- Improved employee productivity
- Reduction of employee turnover
- Stronger organizational performance
- Increased creativity
- Increased employee satisfaction
- Increased team performance

Characteristics of a Spiritual Organization:

- Strong sense of purpose
- Focus on individual development
- Trust and openness
- Employee empowerment
- Toleration of employees' expression





THANK
YOU

