

Types of organisational culture

Handy's *Gods of Management* theory

Handy's Gods of Management theory is an important theory of organisational culture, which was developed by Charles Handy, Professor of the London Business School. In his book, *Gods of Management* (1978), Handy argued that different types of cultures are necessary for the success of different organisations; a culture that one organisation finds useful may not suit another organisation. He associated each type of culture with one of the Greek gods. He claimed that there are four distinct types of cultures in business: power culture, role culture, task culture and person culture (also called 'existential culture' by Handy).

Power culture

In a power culture, an individual or a selected group of people makes decisions for the organisation. Communication is highly centralised. Results are the most crucial factor in assessing an employee's performance. Leaders tend to be autocratic. Centralised decision-making often speeds up business operations but could harm the long-term performance of the organisation due to lack of diverse perspectives. A private car park and meeting rooms for the executives of the business are some signs of a power culture. The key elements of power culture are shown in **Figure 1**.

Charles Handy described power culture as a spider's web. Just like a web becomes powerless without the spider, the organisation comes to a standstill without the decision-makers (see [Section 2.5.5 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/tool-hofstede-cultural-dimensions-hl-id-39406\)](https://study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/tool-hofstede-cultural-dimensions-hl-id-39406)).

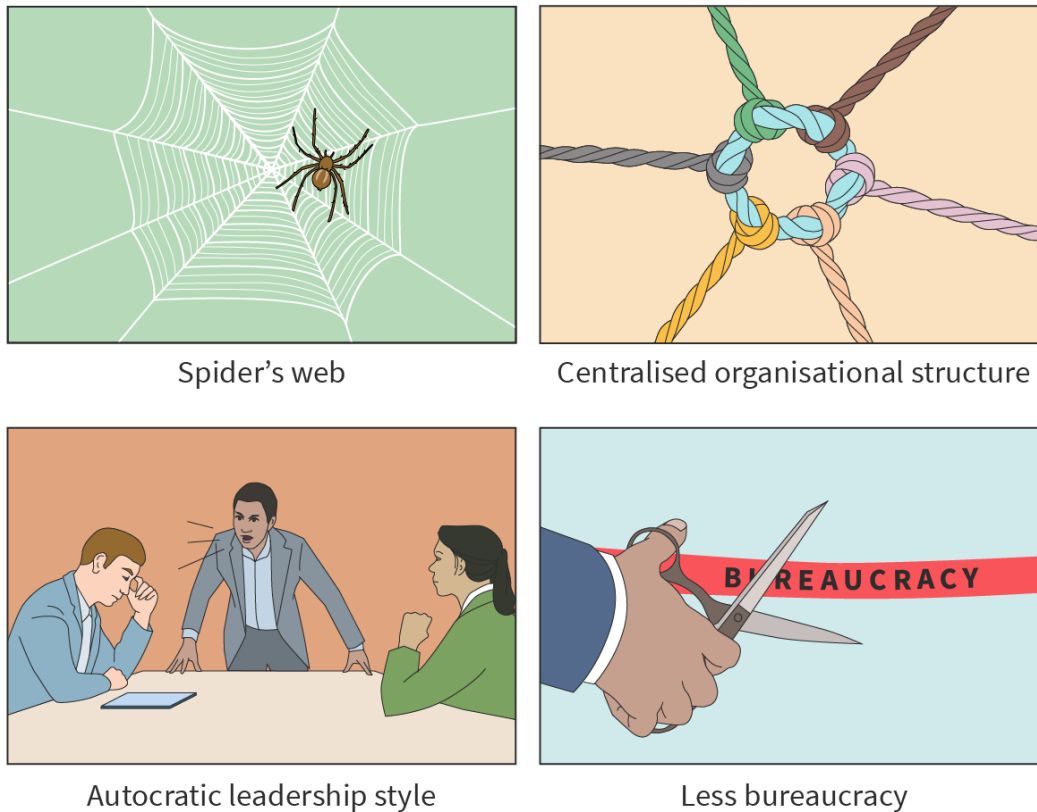
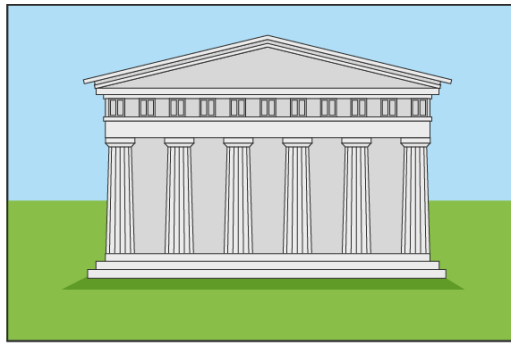


Figure 1. Power culture at a glance.

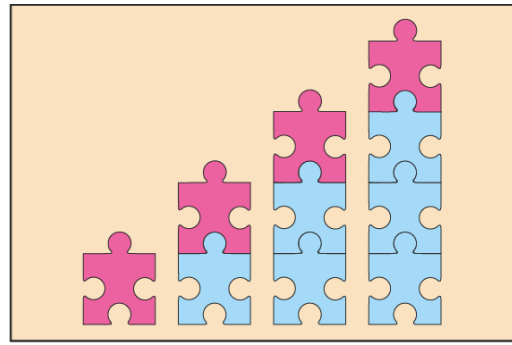
Role culture

Role culture is defined by clear rules and hierarchies for the smooth operation of an organisation. People have power in role cultures through their position, rather than because of their own qualities. An organisation with this type of culture tends to be traditional and stable. Companies focus on following the rules in dealing with everyday situations, for example hiring and promotion. Organisations with a role culture tend to be bureaucratic, with multiple hierarchies and long chains of command.

Handy used an image of a temple to describe role culture (**Figure 2**). A temple building is often old, stable and established, and is more likely to withstand temporary natural disasters. The pillars holding up the organisation are solid and well-defined, like the roles in the organisation. Most well-established government offices, defence organisations and educational institutions are examples of organisations where role culture exists.



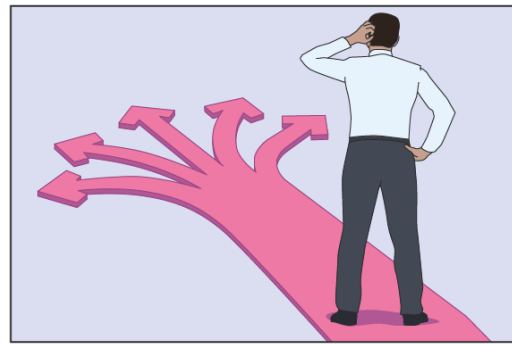
Temple



Multiple hierarchy



Bureaucracy



Slow decision-making

Figure 2. Role culture at a glance.

Task culture

Task culture supports dynamic, innovative and flexible companies by giving power to experts within a group. Companies with a matrix structure often exhibit this type of culture. The roles within the organisation are often flexible, and employees are expected to take various positions according to the requirements of the company and their own skill sets. Productive teamwork is valued and helps get the work done. Teams of employees work mostly independently and are expected to solve problems.

Handy used an image of a net to describe the task culture. Like a net, the strength of a task culture lies in all its strands and connections. Many information technology (IT) and consultancy companies have this type of culture.

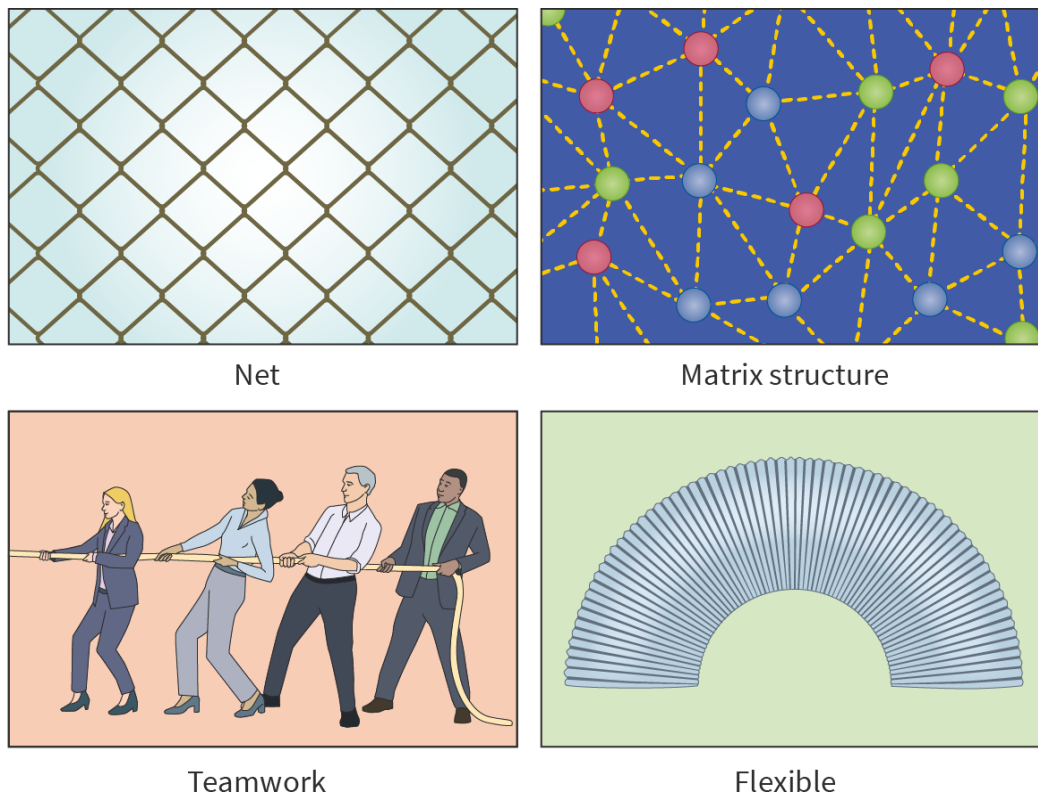


Figure 3. Task culture at a glance.

Person culture (existential culture)

Person culture (existential culture) values every person as an expert and relies on their experiences to operate the business. Businesses with a person culture tend to be employee-centric and employees often have a similar level of knowledge and expertise. The business organisation is considered a way for them to carry out their individual work. In a person culture, there are often generous financial and non-financial rewards to recruit and retain the best employees. A person culture encourages a free, clutterless two-way communication between employees and managers. Most of the leaders adopt an open-door policy to discuss any suggestions and grievances from the staff.

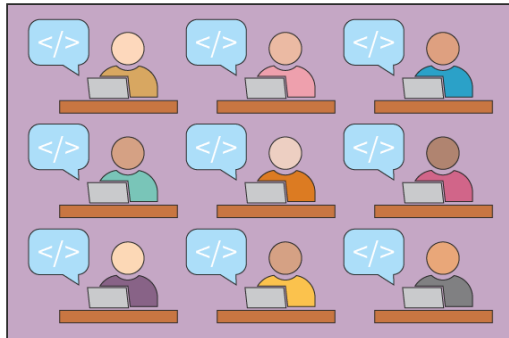
To describe person culture, Handy used an image of a constellation of stars (**Figure 4**), where each star represents a valued individual. The contribution of each is considered important and unique, as it shapes the collective ethos of the company. Partnerships of highly skilled employees such as lawyers or a medical practitioners may have a person culture.



Constellation of stars



Employee-centric



Employees with similar background



Expert employees

Figure 4. Person culture at a glance.**Exam tip**

The assessment objective for this section of IBDP Business Management is:

(Analyse) types of organisational culture, for example, Charles Handy's 'Gods of Management' (AO2).




Handy's model is mentioned as an example in the syllabus, but you can apply other models to exam questions or your internal assessment and extended essay if you wish. The following model, from Frederic Laloux, is more recent than Handy's model, and has gained much attention in the business world.



Frederic Laloux: *Reinventing Organizations*

The Laloux Culture Model was developed from ideas originally published in Frederic Laloux's book *Reinventing Organizations* (<https://www.reinventingorganizations.com>) (2014). The model suggests five types of organisational culture, which Laloux associated with levels and colours. Each organisational culture was linked to a leadership style or management philosophy.

Table 1. Different cultures in organisations.

Source: Frederic Laloux, Reinventing Organizations (2014)

Organisation culture	Description
<div>Level 1</div> <div>Red organisations</div> <div></div>	<p>Red organisations have highly concentrated power in one or a few people. Leaders maintain power through fear. This type of organisation can be very effective in chaotic or crisis environments. This type of organisation might be seen in gangs or the mafia.</p>
<div>Level 2</div> <div>Amber organisations</div> <div></div>	<p>Amber organisations are like military organisations. They have a strict hierarchy with clear roles and chains of command. This type of organisation works well in stable and predictable environments. Examples include religious organisations, state schools and many government organisations.</p>
<div>Level 3</div> <div>Orange organisations</div> <div></div>	<p>Orange organisations are like machines. They tend to be oriented on results and have results-oriented reward systems. Orange business organisations are also competitive and growth-oriented. Examples of Orange organisations include large state universities and many large corporations.</p>

Organisation culture	Description
Level 4 Green organisations 	<p>Green organisations are like families. They motivate those in the organisation through a shared purpose and work on creating value for a wide range of stakeholders. However, there is still a hierarchy in Green organisations. Leaders in Green organisations serve the employees and there is significant employee engagement. Many for-profit and non-profit social enterprises can be considered Green organisations.</p>
Level 5 Teal organisations 	<p>Teal organisations are like living organisms that adapt and evolve over time. Power is decentralised into teams that are flexible and autonomous. Employees are self-managed and people are trusted to make significant decisions. In Section 2.2.4 (/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/changes-in-organisational-structures-hl-id-39389) you learned about an organisational structure called <u>holacracy</u>. Organisations using this type of flat organisational structure are usually considered Teal organisations. You will learn about a Teal organisation called Buurtzorg in the case study below.</p>

These cultures have developed through time, and it is clear from Laloux's writing that the Level 5 Teal organisations are considered highly evolved. Examples of all these organisational cultures can be found around the world, and different kinds of organisations may need different kinds of cultures to support the work they do. It would be difficult, for example, for the military to operate with a Level 5 Teal organisational culture because of the way the organisation needs to respond to life-threatening, crisis situations. On the other hand, as more and more workers move into tertiary and quaternary sectors in a highly complex world, businesses recognise that Teal organisational characteristics result in more productive and resilient organisations, with motivated employees who enjoy having autonomy over their work.

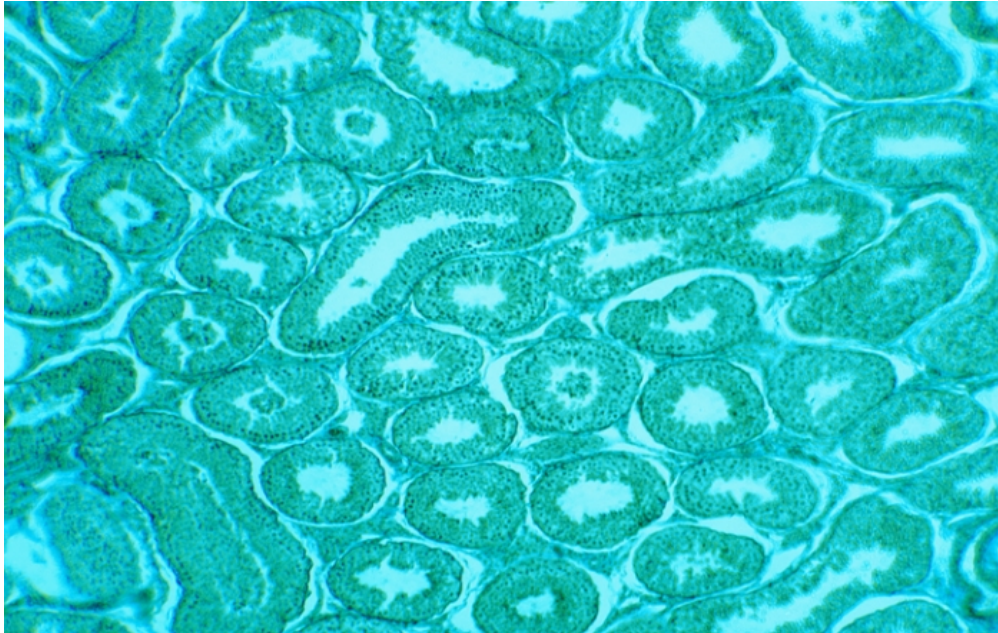


Figure 5. Teal organisations are like living organisms, adapting and evolving, flexible and resilient.

Credit: PHOTO 24, Getty Images

Activity

Learner profile: Thinkers

Approaches to learning: Thinking skills (critical thinking)

You have learned about two models for organisational culture in this section.

- How are the two models similar?
- How are the two models different?
- Which model do you find more interesting? Why?

Case study

Buurtzorg

Buurtzorg (<https://www.buurtzorg.com/about-us/buurtzorgmodel/>) is a healthcare provider in the Netherlands. It was established in 2006 by Jos de Blok, a former nurse, with a team of four people. The company now has more than 15000 nurses. It uses a model of distributed authority and self-management. Nurses work in teams of 12 and have full autonomy over their work. The company has higher client satisfaction rates, lower turnover and lower costs than comparable organisations.

Video 1 provides more information about the company and its success.

How Buurtzorg Works - Video Animation



Video 1. Buurtzorg, a Dutch home care social enterprise that is considered a Teal organisation and is organised according to holacracy.

Questions

1. Define organisational culture. [2 marks]
2. Explain one cost benefit for the business and one motivation benefit for the employees of the organisational culture at Buurtzorg. [4 marks]