WOULDN'T it be nice to one day find a job you enjoy in an organization you're excited to go to every day (or at least most days!)? Although other factors influence job choice, an organization's culture can be an important indicator of "fit"—will I like working here and does this seem like a place where I can fit in and contribute? Organizational cultures differ and so do people. In the second part of this chapter, we'll look at what organizational culture is and what elements make up an organization's culture. Before that, however, we need to look at the external environment organizations face.

"Dynamic forces are sweeping across the globe, reshaping our lives and creating a wave of opportunities. . . ."[1] No successful organization, or its managers, can operate without understanding the dynamic external environment that surrounds it. To better understand this external environment, we need to look at the important forces that are affecting the way organizations are managed today. •

Learning Outcomes

What Is the External Environment and Why Is It Important?

4-1 Explain what the external environment is and why it's important.

One of the biggest mistakes managers make today is **failing to adapt** to the changing world. That's also one of the biggest mistakes you can make as an employee!

external environment
Factors, forces, situations, and events outside the organization that affect its performance

When the Eyjafjallajökull volcano erupted in Iceland, who would have thought that it would lead to a shutdown at the BMW plant in Spartanburg, South Carolina, or the Nissan Motor auto assembly facility in Japan?[2] Yet, in our globalized and interconnected world, such an occurrence shouldn't be surprising at all. As volcanic ash grounded planes across Europe, supplies of tire-pressure sensors from a company in Ireland couldn't be delivered on time to the BMW plant or to the Nissan plant. Because we live in a "connected" world, managers need to be aware of the impact of the external environment on their organization.

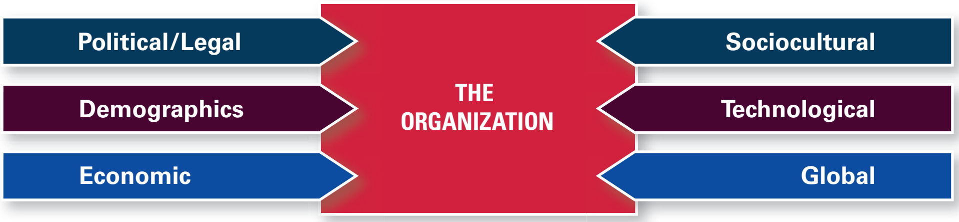
The term **external environment** refers to factors, forces, situations, and events outside the organization that affect its performance. As shown in Exhibit 4–1, it includes several different components. The economic component encompasses factors such as interest rates, inflation, employment/unemployment rates, disposable income levels, stock market fluctuations, and business cycle stages. The demographic component is concerned with trends in population characteristics such as age, race, gender, education level, geographic location, and family composition. The technological component is concerned with scientific or industrial innovations. The sociocultural component is concerned with societal and cultural factors such as values, attitudes, trends, traditions, lifestyles, beliefs, tastes, and patterns of behavior. The political/legal component looks at federal, state, and local laws, as well as laws of other countries and global laws. It also includes a country's political conditions and stability. And the global component encompasses those issues (like a volcano eruption, political instability, terrorist attack, etc.) associated with globalization and a world economy. Although *all* these components potentially constrain managers' decisions and actions, we're going to take a more in-depth look at just two—economic and demographic.

What Is the Economy Like Today?

Snapshots of the **economic context**:

- Digital currencies (also called virtual currencies or cryptocurrencies) are growing explosively. In Sweden, for instance, the use of cash has fallen rapidly.[3]
- After years of minimal inflation, U.S. manufacturers and food companies are facing rising material and ingredient costs as robust global economic growth stimulates demand.[4]
- Europe's economic recovery is being stifled by "zombie companies"—companies that are being kept afloat by cash/credit infusions from banks and shareholders despite the fact that they have not turned a profit in years. The result: thriving businesses cannot get needed capital to grow.[5]
- Climate change is reshaping supply networks, manufacturing processes, resource availability, and even workspace design.
- Entry-level jobs now are more "thinking" oriented and include more sophisticated responsibilities, reinforcing our emphasis on employability skills such as critical thinking, creative problem solving, and knowledge application and analysis.

Exhibit 4–1 Components of the External Environment



Source: Robbins, Stephen P., Coulter, Mary, *Management*, 13th Ed., © 2016, p. 73. Reprinted and electronically reproduced by permission of Pearson Education, Inc., New York, NY.

After several years in crisis mode, the U.S. economy and other global economies seem to have turned the corner. However, it's not now, nor will it ever be, smooth sailing in the economic arena for managers. After all, when you're dealing with important factors such as jobs, incomes, prices of natural resources and consumer goods, stock market valuations, and business cycle stages, managers have to pay attention to those that could constrain organizational decisions and actions. Here's a quick overview of some of the more interesting characteristics of today's economy that have the potential to influence a manager's planning, organizing, leading, and controlling:

- The slowdown in productivity has moderated globally although it continues to lag in the United States. Productivity (how much a worker produces in a hour) is an important measure of how well an economy is doing. Factors that affect productivity include types and pace of innovation, changes in work practices, technology, levels of workforce education/training/skill, etc.[6]
- Global trade grew strongly from the late 1970s through 2008, when it collapsed during the last global recession. However, recent indicators show global trade inching up, with the strongest growth in Europe and Asia.[7]
- Total U.S. employment is up. The 4.1 percent unemployment rate has held steady and is at the lowest level in years.[8] Workers are benefiting from broad-based gains in income and employment for over a decade.[9]
- Many U.S. workers, while employed in a steady job, may not have a reliable income. Why? By using flexible work schedules, businesses are exerting more control over employees' work hours, leading to more volatile paychecks.[10]
- Many businesses in low-wage industries (restaurants, retail, warehousing, and other services) are using part-time workers to soften the impact of health-care law mandates.[11]
- According to a Pew Research Center poll, only 17 percent of Americans believe the American dream—work hard and you can achieve success and riches—is out of reach. By race/ethnicity, the number who say it's out of reach is 15 percent of whites, 19 percent of blacks, and 17 percent of Hispanics.[12]

Despite these numbers, the World Economic Forum has identified a significant risk facing business leaders and policy makers over the next decade: "severe income disparity."[13] Let's briefly look at this issue to show that managers are constrained not just by the actual economic numbers, but also by societal attitudes about the economy.

ECONOMIC INEQUALITY AND THE ECONOMIC CONTEXT. A Harris Interactive Poll found that only 10 percent of adults think that economic inequality is "*not* a problem at all." Most survey respondents believed that it is either a major problem (57 percent) or a minor problem (23 percent).[14] Why has this issue become so sensitive? After all, individuals who worked hard, took risks, and were rewarded because of their hard work or creativity have long been admired. And yes, an income gap has always existed. In the United States, that gap between the rich and the rest has been much wider than in other developed nations for decades and was accepted as part of our country's values and way of doing things. However, our acceptance of an ever-increasing income gap may be diminishing.[15] As economic growth languished and sputtered, and as people's belief that anyone could grab hold of an opportunity and have a decent shot at prosperity wavered, social discontent over growing income gaps increased. The bottom line is that business leaders need to recognize how societal attitudes in the economic context also may create constraints as they make decisions and manage their businesses.

Lastly, in this section on the economy, we want to take a look at an interesting phenomenon taking place in the United States and around the globe—the sharing economy.

omnipotent view of management
The view that managers are directly responsible for an organization's success or failure

symbolic view of management
The view that much of an organization's success or failure is due to external forces outside managers' control

sharing economy
An economic environment in which asset owners share with other individuals through a peer-to-peer service, for a set fee, their underutilized physical assets or their knowledge, expertise, skills, or time

THE SHARING ECONOMY. Have you heard of Airbnb, Uber, Mobike, DogVacay, TaskRabbit, or Zipcar? These are just a few of the companies—maybe you've used one—that are part of what is called the "sharing economy." What is the **sharing economy**? It's an economic environment in which asset owners share with other individuals through a peer-to-peer service, for a fee, their underutilized physical assets (such as a home, car, clothing, tools, or other physical assets). Some analysts have included the sharing of knowledge, expertise, skills, or time, as well.[16] The concept behind the sharing economy is putting underutilized assets to good use. Asset owners "rent out" assets they're not using to consumers who need those assets but who don't want to, or who can't afford to, purchase them. As the sharing economy has grown, other terms—such as collaborative economy, on-demand economy, gig economy, freelance economy, peer economy, access economy, crowd economy, digital economy, and platform economy—have been used to better describe the various iterations of sharing that take place.[17] Even some economics experts have said that these arrangements aren't really "sharing" but are better described as market-mediated since there's a service or company that mediates the exchange between consumers. They suggest that the arrangement is more like an "access economy" because what consumers are looking for is convenient access to assets they need but don't have, and they're not concerned with developing a business or social relationship with the asset owner.[18] Whatever form or definition it takes, these new-economy platforms are likely to remain an important part of our global economic system.

The other external component we want to specifically look at is demographics. Why? Changes and trends in this component tend to be closely linked to the workplace and managing.

Classic Concepts in Today's Workplace

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

Management theory proposes two perspectives in answering this question: the omnipotent view and the symbolic view.

Omnipotent view of management:

- Managers are directly responsible for an organization's success or failure.
- Differences in performance are due to decisions and actions of managers.
- Good managers: anticipate change, exploit opportunities, correct poor performance, lead their organizations.
- Profits ↑. Managers get the credit and rewards.
- Profits ↓. Managers often get fired.
- Someone—*the manager*—is held accountable for poor performance.
- This view helps explain turnover among college and professional sports coaches.

Managers: All-powerful or helpless?

Symbolic view of management:

- Manager's ability to affect performance outcomes is constrained by external factors.
- Managers don't have a significant effect on organization's performance.
- Performance is influenced by factors over which managers have little control (economy, customers, governmental policies, competitors' actions, etc.).
- Managers *symbolize* control and influence by developing plans, making decisions, and engaging in other managerial activities to make sense out of random, confusing, and ambiguous situations.
- Manager's part in organizational success or failure is limited.

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

Discussion Questions:

1 Why do you think these two perspectives on management are important? How might these concepts help you succeed in your role as an employee of an organization? Explain.

2 How are these views similar? Different?

What Role Do Demographics Play?

Demography is destiny. Have you ever heard this phrase? What it means is that the size and characteristics of a country's population can have a significant effect on what it's able to achieve. For instance, experts say that by 2050, "emerging economies led by India and China will collectively be larger than the developed economies. Small European nations with low birthrates such as Austria, Belgium, Denmark, Norway, and Sweden will drop off the list of the 30 biggest economies."[19] **Demographics**—the characteristics of a population used for purposes of social studies—can and do have a significant impact on how managers manage. Those population characteristics include things such as age, income, sex, race, education level, ethnic makeup, employment status, geographic location, and so forth—pretty much the types of information collected on governmental census surveys.

Imagine China/Newscom

Jack Ma, chairman of Chinese e-commerce firm Alibaba, is training young Africans about entrepreneurship, the Internet, and the value of continual learning. With a large percentage of young people in Africa's fast-growing population, age is an important demographic for domestic and global managers as they educate and develop skills young Africans need to succeed in the workplace.

Age is a **particularly important demographic** for managers.

Why? Because the workplace often has different age groups all working together. (See Chapter 10, p. 378–381, for a more detailed look at the challenges of generational differences in the workplace.) *Baby Boomers. Gen X. Gen Y. Gen Z.* Ever heard or seen these terms? They're names given by population researchers to four age groups found in the U.S. population.

- *Baby Boomers* are those individuals born between 1946 and 1964. You've heard so much about "boomers" because there are so many of them. The sheer number of people in that cohort has meant they've had a significant impact on every aspect of the external environment (from the educational system and entertainment/lifestyle choices to the Social Security system, health-care choices, and so forth) as they've gone through various life-cycle stages.
- *Gen X* is used to describe those individuals born between 1965 and 1977. This age group has been called the baby bust generation because it followed the baby boom and is one of the smaller age cohorts.
- *Gen Y* (or the "Millennials") is an age group typically considered to encompass those individuals born between 1978 and 1994. As the children of the Baby Boomers, this age group is also large in number and making its imprint on external environmental conditions as well. From technology to clothing styles to work attitudes, Gen Y, now the majority age group in the workforce, is helping shape today's workplaces.[20]
- *Gen Z* is the youngest identified age group. Although demographers don't agree on the exact range of birth years for Gen Z, most group them as being born between 1995 and 2010. Gen Z is huge; those under age 20 represent 25.9 percent of the U.S. population.[21] One thing that characterizes Gen Z is that it is the most diverse and multicultural of any generation in the United States.[22] Another thing that characterizes this group is that their primary means of social interaction is online, where they freely express their opinions and attitudes. It's the first group whose only reality revolves around the "Internet, mobile devices, and social networking."[23]

Demographic age cohorts are important because large numbers of people at certain stages in the life cycle can constrain decisions and actions taken by managers of businesses, governments, educational institutions, and other organizations. Studying demographics involves looking not only at current statistics, but also at future trends. What *are* some future trends?

- Recent analysis of birth rates shows that more than 80 percent of babies being born worldwide are from Africa and Asia.[24]
- Two-thirds of India's 1.2 billion people are below 35 years of age.[25]
- By 2050, it's predicted that China will have more people age 65 and older than the rest of the world combined.[26]

demographics
The characteristics of a population used for purposes of social studies

- For most of human history, individuals over the age of 65 have never exceeded 3 or 4 percent of a country's population. By 2050, however, this number could potentially reach 25 percent, on average.[27]
- By 2060, the population of older Americans is expected to more than double.[28]

Just imagine how these population trends are likely to impact global organizations and the way managers manage.

technology
Any equipment, tools, or operating methods that are designed to make work more efficient

How Does the External Environment Affect Managers?

4-2 Discuss how the external environment affects managers.

Knowing *what* the various components of the external environment are and examining certain aspects of that environment are important for managers. However, understanding *how* the environment affects managers is equally as important. We're going to look at three ways the external environment constrains and challenges managers: (1) through its impact on jobs and employment, (2) through the environmental uncertainty that is present, and (3) through the various stakeholder relationships that exist between an organization and its external constituencies.

JOBS AND EMPLOYMENT. As any or all of the external environmental conditions change, one of the most powerful constraints managers face is the impact of such changes on jobs and employment—both in poor conditions and in good conditions. The power of

Managing Technology in Today's Workplace

CAN TECHNOLOGY IMPROVE THE WAY MANAGERS MANAGE?

Continuing advancements in technology offer many exciting possibilities for how workers work and managers manage. **Technology** includes any equipment, tools, or operating methods that are designed to make work more efficient. One area where technology has had an impact is in the process where inputs (labor, raw materials, and the like) are transformed into outputs (goods and services to be sold). In years past, this transformation was usually performed by human labor. With technology, however, human labor has been replaced with electronic and computer equipment. From robots in offices to online banking systems to social networks where employees interact with customers, technology has made the work of creating and delivering goods and services more efficient and effective.

Another area where technology has had a major impact is in information. Information technology (IT) has created the ability to circumvent the physical confines of working only in a specified organizational location. With notebook and desktop computers, tablets, smartphones, organizational intranets, and other IT tools, organizational members who work mainly with information can do that work from any place at any time.

Eighty billion. That's the number of "things" (smartphones, smartwatches, climate-control system sensors, kitchen refrigerators, cars, etc.) IDC predicts will be connected **to the Internet by 2025**. This **Internet of Things (IoT)** is transforming businesses and disrupting industries and societies around the world.[29]

Finally, technology is also changing the way managers manage, especially in terms of how they interact with employees who may be working anywhere and anytime. Effectively communicating with telecommuting individuals who may simply be working from home or who may be working halfway around the world and ensuring that work goals are being met are challenges that managers must address. Throughout the rest of the book, we'll look at how managers are meeting those challenges in the ways they plan, organize, lead, and control.

Discussion Questions:

3 Is management easier or harder with all the available technology? Explain your position.

4 What benefits does technology provide and what problems does technology pose for (a) employees and (b) managers?

environmental uncertainty
The degree of change, predictability of change, and complexity in an organization's environment

environmental complexity
The number of components in an organization's environment, how similar the components are, and the extent of knowledge that the organization has about those components

stakeholders
Any constituencies in an organization's environment that are affected by that organization's decisions and actions

this constraint was painfully obvious during the past global recession as millions of jobs were eliminated and unemployment rates rose to levels not seen in many years. Although such readjustments aren't bad in and of themselves, they do create challenges for managers who must balance work demands and having enough people with the right skills to do an organization's work.

Flexible Work Arrangements:

As companies embrace new forms of flexibility in the workplace to adapt to changing market needs, have you thought about what YOU want "work" to look like? What type of work model appeals to you? Traditional? Flexible? Something in between?

Not only do changes in external conditions affect the types of jobs that are available, they affect how those jobs are created, designed, and managed. For instance, many employers are using flexible work arrangements with tasks done by freelancers hired on an as-needed basis, or by temporary workers who work full-time but are not permanent employees, or by individuals who share jobs. Keep in mind that these approaches are used because of the constraints from the external environment. As a manager, you'll need to recognize how such work arrangements affect the way you plan, organize, lead, and control. Flexible work arrangements have become so prevalent and such an important management approach today that we'll discuss them in other chapters as well. Be sure to pay attention to these discussions as it will help you as you envision and plan for your career.

ASSESSING ENVIRONMENTAL UNCERTAINTY. Another constraint posed by external environments is the amount of uncertainty found in that environment, which can affect organizational outcomes. **Environmental uncertainty** refers to the degree of change, predictability of change, and complexity in an organization's environment. The matrix in Exhibit 4–2 shows these two aspects.

The first dimension of uncertainty is the degree of unpredictable change. If the components in an organization's environment change frequently and the change is unpredictable, it's a *dynamic* environment. If change is minimal and is predictable, it's a *stable* one. A stable environment might be one in which there are no new competitors, few technological breakthroughs by current competitors, little activity by pressure groups to influence

Exhibit 4–2 Environmental Uncertainty Matrix

Degree of Complexity	Degree of Change: Stable	Degree of Change: Dynamic
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

the organization, and so forth. For instance, Almarai, based in Saudi Arabia, faces a relatively stable environment for its food products. One external concern is ongoing competition from local and regional competitors. Another concern is changes in government policies that are leading to higher costs for electricity and water. Almarai is therefore focusing on improving efficiencies to boost profitability and arranging long-term supply sources through its international subsidiaries.[30] In contrast, the recorded music industry faces a dynamic (highly uncertain and unpredictable) environment. Digital formats, apps, music-streaming sites, and artists releasing selected songs on their personal social media accounts turned the industry upside down and brought high levels of uncertainty.

Manjunath Kiran/AFP/GettyImages

Software developers and designers from communities throughout the world are valuable stakeholders for Yahoo!. The company builds relationships with these computer experts by staging hacking events, like the one shown here in Bangalore, India, that may result in technological innovations.

The other dimension of uncertainty describes the degree of **environmental complexity**, which looks at the number of components in an organization's environment, how similar the components are, and the extent of the knowledge that the organization has about those components. An organization that has few competitors, customers, suppliers, or government agencies to deal with, or that needs little information about its environment, has a less complex and thus less uncertain environment.

How does the concept of environmental uncertainty influence managers? Looking again at Exhibit 4–2, each of the four cells represents different combinations of degree of complexity and degree of change. Cell 1 (stable-simple environment) represents the lowest level of environmental uncertainty and cell 4 (dynamic and complex environment) the highest. Not surprisingly, managers have the greatest influence on organizational outcomes in cell 1 and the least in cell 4. Because uncertainty is a threat to an organization's effectiveness, managers try to minimize it. Given a choice, managers would prefer to operate in the least uncertain environments, but they rarely control that choice. In addition, the nature of the external environment today is that most industries are facing more dynamic change, making their environments more uncertain.

MANAGING STAKEHOLDER RELATIONSHIPS. How does Amazon continue to enter and dominate ever-widening markets? One reason is that it understands the importance of building relationships with its various stakeholders: customers, advertisers, shippers, suppliers. 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.

Stakeholders are any constituencies in an organization's environment that are affected by that 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. For example, think of the groups that might be affected by the decisions and actions of Starbucks—coffee bean farmers, employees, specialty coffee competitors, local communities, and so forth. Some of these stakeholders, in turn, may impact the decisions and actions of Starbucks' managers. The idea that organizations have stakeholders is now widely accepted by both management academics and practicing managers.[32]

Making Ethical Decisions in Today's Workplace

Walt Disney Company. Star Wars. Two powerful forces combined. But is that force for good or for not-so-good?[31] It's not surprising that the popularity of the Star Wars franchise has given Walt Disney Co. exceptional power over the nation's movie theaters. The theater owners want the Star Wars releases, and there's only one way to get them…through Disney. With the latest release, movie theaters had to agree to "top-secret" terms that many theater owners said were the most oppressive and demanding they had ever seen. Not only were they required to give Disney about 65 percent of ticket revenue, there were also requirements about when, where, and how the movie could be shown. You'd think that because Disney needs the theaters to show their movies they might be better off viewing them as "partners" rather than subordinates. What do you think?

Discussion Questions:

5 Is there an ethical issue here? Why or why not? What stakeholders might be affected and how might they be affected? How can identifying stakeholders help a manager decide the most responsible approach?

6 Working together in your "assigned" group, discuss Disney's actions. Do you agree with those actions? Look at the pros and cons, including how the various stakeholders are affected. Prepare a list of arguments both pro and con. (To be a good problem solver and critical thinker, you have to learn how to look at issues from all angles!)

Exhibit 4–3 identifies the most common stakeholders an organization might have to deal with. Note that these stakeholders include internal and external groups. Why? Because both can affect what an organization does and how it operates.

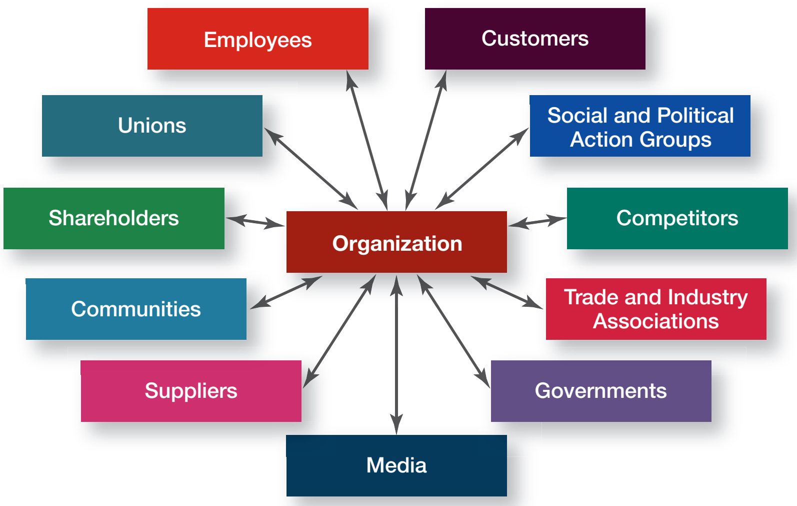
Why should managers even care about managing stakeholder relationships? For one thing, it can lead to desirable organizational outcomes such as improved predictability of environmental changes, more successful innovations, greater degree of trust among stakeholders, and greater organizational flexibility to reduce the impact of change. For instance, social media company Facebook is spending more on lobbying and meeting with government officials as lawmakers and regulators look at sweeping changes to online privacy laws. The company is "working to shape its image on Capitol Hill and avert measures potentially damaging to its information-sharing business."[33]

Can stakeholder management affect organizational performance? The answer is yes! 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.[34]

Another reason for managing external stakeholder relationships is that 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 should consider the interests of stakeholders as they make decisions. We'll address this issue in more detail in the next chapter when we look at corporate social responsibility and business ethics.

As we've tried to make clear throughout this section, it's not going to be "business as usual" for organizations or for managers. Managers will always have hard decisions to make about how they do business and about their people. It's important that you understand how changes in the external environment will affect your organizational and management experiences. Now, we need to switch gears and look at the internal aspects of the organization—specifically, its culture.

Exhibit 4–3 Organizational Stakeholders



What Is Organizational Culture?

EACH OF US HAS A UNIQUE PERSONALITY that influences the way we act and interact. An organization has a personality, too—we call it **CULTURE**. Here's what **YOU** need to know about **organizational culture**!

4-3 Define *organizational culture* and explain why it's important.

Smith Collection/Gado Images/Alamy Stock Photo

1. **Culture is perceived.** 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.
2. **Culture is descriptive.** It's concerned with how members perceive or describe the culture, not with whether they like it.
3. **Culture is shared.** Even though individuals may have different backgrounds or work at different organizational levels, they tend to describe the organization's culture in similar terms.

Jerome Brunet/ZUMA Press, Inc./
Alamy Stock Photo

Kristoffer Tripplaar/Alamy Stock Photo

Google has created a creative and innovative culture at their headquarters in California with an android googleplex, bikes, and bringing your dog to work.

organizational culture
The shared values, principles, traditions, and ways of doing things that influence the way organizational members act

7

Dimensions of Organizational Culture

Exhibit 4–4

How Can Culture Be Described?

The seven dimensions (shown in Exhibit 4–4):[35]

- Range from *low* (not typical of the culture) to *high* (especially typical of the culture).
- Provide a composite picture of the organization's culture.

  An organization's culture may be shaped by one particular cultural dimension more than the others, thus influencing the organization's personality and the way organizational members work. For example:

  — *Apple's* focus is product innovation (innovation and risk taking). The company "lives and breathes" new-product development, and employees' work behaviors support that goal.

  — *Southwest Airlines* has made its employees a central part of its culture (people orientation) and shows this through the way it treats them.

Where Does Culture Come From?	How Do Employees Learn the Culture?
Usually reflects the vision or **mission** of founders.	Organizational stories: narrative tales of significant events or people.
Founders project an image of *what the organization should be and what its values are.*	**Corporate rituals:** repetitive sequences of activities that express and reinforce important organizational values and goals.
Founders can "impose" their vision on employees because of new organization's small size.	**Material symbols or artifacts:** layout of facilities, how employees dress, size of offices, material perks provided to executives, furnishings, and so forth.
Organizational members *create a shared history* that binds them into a community and reminds them of "who we are."	**Language:** special acronyms; unique terms to describe equipment, key personnel, customers, suppliers, processes, products.

How Does Organizational Culture Affect Managers?

4-4 Describe how organizational culture affects managers.

strong cultures
Cultures in which the key values are deeply held and widely shared

Ambrosia Humphrey, vice president of talent at Hootsuite, understands the power of organizational culture and how it affects her as a manager. Nurturing and nourishing the company's culture is one of her top priorities. And she does this by continually creating employee experiences that reflect an important company value—transparency. For instance, she's organized all-staff "Ask Me Anything" discussions with the company's CEO. Another tactic she's used is employee "hackathons" in which staff members get together to tackle problems. And, of course, she embraces social media as part of her commitment to transparency to employees, customers, and the community. Employees are encouraged to tweet about their perspectives on what it's like to work at Hootsuite. Those postings have ranged from pictures taken at rooftop meetings to employees complimenting other employees for their hard work to links to media reports about the company as a great place to work.[36]

The two main ways that an organization's culture affects managers are (1) its effect on what employees do and how they behave and (2) its effect on what managers do.

How Does Culture Affect What Employees Do?

> **"I think of culture as guardrails** . . . what you stand for, essentially the ground rules so that people know how to operate."[37]

Remember what we said as we debunked the chapter-opening myth. You want to look for a culture where you will fit in and thrive. An organization's culture has an effect on what employees do, depending on how strong, or weak, the culture is. **Strong cultures**—those in which the key values are deeply held and widely shared—have a greater influence on employees than do weaker cultures. The more employees accept the organization's key values and the greater their commitment to those values, the stronger the culture is. 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 what employees do and the way managers plan, organize, lead, and control.[38]

Also, in organizations with a strong culture, that culture can substitute for the rules and regulations that formally guide employees. In essence, strong cultures can create predictability, orderliness, and consistency without the need for written documentation. Therefore, the stronger an organization's culture, the less managers need to be concerned with developing formal rules and regulations. Instead, those guides will be internalized in employees when they accept the organization's culture. If, on the other hand, an organization's culture is weak—if no dominant shared values are present—its effect on employee behavior is less clear.

Southwest Airlines' strong culture of customer service, hard work, respect, caring, and fun affects what its employees do and how they behave. After Hurricane Harvey, pilots and aircrew assisted in the Operations Pets Alive rescue effort by transporting orphaned animals from shelters in Houston to a pet center in San Diego where they became available for adoption.

CPEN1/ZOB/Southwest Airlines/Cover Images/Newscom

How Does Culture Affect What Managers Do?

Say What? Ten percent of executives say they *have not* identified or communicated an organizational culture.[39]

Houston-based Apache Corp. has become one of the best performers in the independent oil drilling business because it has fashioned a culture that values risk taking and quick decision making. Potential hires are judged on how much initiative they've shown in getting projects done at other companies. And company employees are handsomely rewarded if they meet profit and production goals.[40] 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. For instance, you won't find the following values written down, but each comes from a real organization:

- Look busy even if you're not.
- If you take risks and fail around here, you'll pay dearly for it.
- Before you make a decision, run it by your boss so that he or she is never surprised.
- We make our product only as good as the competition forces us to.
- What made us successful in the past will make us successful in the future.
- If you want to get to the top here, you have to be a team player.

The link between values such as these and managerial behavior is fairly straightforward. Take, for example, a so-called ready-aim-fire culture. In such an organization, managers will study and analyze proposed projects endlessly before committing to them. However, in a ready-fire-aim culture, managers take action and then analyze what has been done. Or, say an organization's culture supports the belief that profits can be increased by cost cutting and that the company's best interests are served by achieving slow but steady increases in quarterly earnings. In that culture, managers are unlikely to pursue programs that are innovative, risky, long term, or expansionary. In an organization whose culture conveys a basic distrust of employees, managers are more likely to use an authoritarian leadership style than a democratic one. Why? The culture establishes for managers appropriate and expected behavior. You can see this in action at Winegardner & Hammons, a hotel management firm, where company leaders have built a "Winning Workplace Culture" with four characteristics: a positive work environment in which managers are encouraged to make employees feel cared for and valued; an employee selection process that encourages managers to focus on selecting the "right" employees; an employee engagement program that's based on training managers so they have the right skills, knowledge, and experience to nurture an engaging work environment; and a strengths-based workplace in which managers continually reinforce employees' strengths. What has this cultural focus led to? *Thirty-four percent lower employee turnover* and *11 percent higher profitability*.[41] That's the kind of outcomes that can be achieved *if* you pay attention to your organizational culture and *if* managers recognize appropriate and expected behavior in that culture.

As shown in Exhibit 4–5, a manager's decisions are influenced by the culture in which he or she operates. An organization's culture, especially a strong one, influences and constrains the way managers plan, organize, lead, and control.

Exhibit 4–5 Managerial Decisions Affected by Culture

Source: Robbins, Stephen P., Coulter, Mary, *Management*, 13th Ed., © 2016, p. 86. Reprinted and electronically reproduced by permission of Pearson Education, Inc., New York, NY.

What Are Current Issues in Organizational Culture?

4-5 Describe current issues in organizational culture.

Corporate leaders increasingly are recognizing that organizational culture is a critical business issue, particularly since an organization's culture can be a "driver" of employee productivity, engagement, and retention. What current cultural issues are managers focusing on? We've identified five that we think are important. Let's take a look.

Creating a Customer-Responsive Culture

In Chapter 1, we discussed why customers are so important to organizations and managers. A customer-responsive culture can lead to more satisfied employees and customers, which in turn can affect performance results. What does a customer-responsive culture look like? Exhibit 4-6 describes five characteristics of customer-responsive cultures and offers suggestions as to what managers can do to create that type of culture.[42]

Creating an Innovative Culture

Innovation was also introduced in Chapter 1 as an important issue for organizations and managers. How important is culture to innovation? More than half of senior executives surveyed said that the most important driver of innovation for companies was a supportive culture.[43] But not every company has established a culture that fosters innovation. In fact, in a survey of employees, about half expressed that a culture of management support is very important to generating innovative ideas, but only 20 percent believed that management actually provides such support.[44]

Exhibit 4–6 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 customer, without rigid rules and procedures
Empowerment	Give service-contact employees the discretion to make day-to-day decision on job-related activites
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 customer	Clarify organization's commitment to doing whatever it takes, even if it's outside an employee's normal job requirements

Source: Robbins, Stephen P., Coulter, Mary A., *Management* (Subscription). 14th Ed., © 2018. Reprinted and electronically reproduced by permission of Pearson Education, Inc., New York, NY.

What does an innovative culture look like? Here's one perspective offered by Swedish researcher Goran Ekvall:[45]

- *Challenge and involvement:* Are employees involved in, motivated by, and committed to the long-term goals and success of the organization?
- *Freedom:* Can employees independently define their work, exercise discretion, and take initiative in their day-to-day activities?
- *Trust and openness:* Are employees supportive and respectful of each other?
- *Idea time:* Do individuals have time to elaborate on new ideas before taking action?
- *Playfulness/humor:* Is the workplace spontaneous and fun?
- *Conflict resolution:* Do individuals make decisions and resolve issues based on the good of the organization versus personal interests?
- *Debates:* Are employees allowed to express opinions and suggest ideas to be considered and reviewed?
- *Risk taking:* Do managers tolerate uncertainty and ambiguity, and are employees rewarded for taking risks?

Creating a Sustainability Culture

Sustainability was another important management issue introduced in Chapter 1. For many companies, sustainability is incorporated into the organization's overall culture. For example, Johnson & Johnson's Senior Director of Environment said, "Sustainability is embedded in our culture. It's been a part of who we are for more than 65 years, long before the notion of sustainability became trendy."[46] What can companies do to create a sustainability culture?

Get everyone involved in defining what sustainability means to the organization. When people employees aren't "on board" with it, it's going to be hard to improve or measure sustainability efforts.

Get employees—individuals or teams—involved in finding ways to be more sustainable.

Create rituals to reinforce the importance of sustainability. For instance, a day/week devoted to different sustainability practices or beginning every corporate meeting with a sustainability topic.

Use rewards. Tie employee bonuses to meeting sustainability goals. Or, give prizes when an employee does something that supports or exemplifies the sustainability culture.

When managers and organizations embed sustainability practices in the culture, the culture reinforces those practices. If sustainability is an important cultural value, it needs to be nurtured to grow and become a defining trait.

Creating an Ethical Culture

An **ethical culture** is one in which the shared concept of right and wrong behavior in the workplace reflects the core values of an organization and influences the ethical decision making of employees. Ethical cultures champion clear ethical standards. In addition, organizational leaders model ethical behavior and demand employees also be committed to behaving ethically. In an ethical culture, employees and managers are open to discussing ethical issues and are reinforced for their ethical behavior.[47] We'll explore business ethics more fully in the next chapter. Stay tuned!

Creating a Learning Culture

As the first part of this chapter clearly showed us, today's quick-changing business environment requires adaptability by managers and employees alike. That means "having employees who are able to think, relate, learn, and adapt continuously."[48] Work cultures geared to constant learning will be of critical importance.

What about YOU?

Will you be one of those employees who learns continuously? Do you want to stand out as a top candidate and a star employee? Develop your employability skills now and watch it happen!

Creating a learning culture starts with buy-in at the top. Organizational leaders must absolutely understand what it takes for a learning culture to work and be absolutely committed to it. In a learning culture, everyone agrees on a shared vision and everyone recognizes the inherent inter-relationships among the organization's processes, activities, functions, and external environment. It also fosters a strong sense of community, caring for each other, and trust. A learning culture encourages employees to freely communicate openly, share, experiment, and learn without fear of criticism or punishment.

ethical culture
A culture in which the shared concept of right and wrong behavior in the workplace reflects the organization's core values and influences employees' ethical decision making