BUS108

Chapter 2

Organizational Culture and
the Organizational
Environment

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Learning Outcomes:

1. Compare and contrast the actions of managers according to the omnipotent and symbolic views.
2. Discuss the characteristics and importance of organizational culture.
3. Describe what kinds of cultures managers can create.
4. Describe the features of the organizational environment.

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The Manager: Omnipotent or Symbolic? (1 of 2)

The Omnipotent View

> The view that managers are **directly responsible** for an organization's success or failure.
>
> The quality of the organization is determined by the **quality of its managers**.

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The Manager: Omnipotent or Symbolic? (2 of 2)
The Symbolic View

The ability of managers to affect outcomes is influenced and constrained by external factors:

• The economy, customers, governmental policies, competitors, industry conditions, technology, and the actions of previous managers

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Exhibit 2-1 Parameters of Managerial Discretion

Exhibit 2-1

Parameters of Managerial Discretion

Organizational Environment → Managerial Discretion ← Organizational Culture

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The Organization's Culture (1 of 13)
What Is Organizational Culture?

A system of shared meaning and beliefs held by organizational members that determines, to a large degree, how they act towards each other and outsiders.

"The way we do things around here"
– Values, symbols, rituals, myths, & practices

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The Organization's Culture (2 of 13)

Implications of an Organizational Culture

- *Culture* is a **perception**
- *Culture* is **shared**
- *Culture* is a **descriptive term**

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Exhibit 2-2 Dimensions of Organizational Culture

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Exhibit 2-3 Contrasting Organizational Cultures (1 of 2)

This organization is a manufacturing firm. Managers are expected to fully document all decisions, and "good managers" are those who can provide detailed data to support their recommendations. Creative decisions that incur significant change or risk are not encouraged. Because managers of failed projects are openly criticized and penalized, managers try not to implement ideas that deviate much from the status quo. One lower-level manager quoted an often-used phrase in the company: "If it ain't broke, don't fix it."

Employees are required to follow extensive rules and regulations in this firm. Managers supervise employees closely to ensure there are no deviations. Management is concerned with high productivity, regardless of the impact on employee morale or turnover.

Work activities are designed around individuals. There are distinct departments and lines of authority, and employees are expected to minimize formal contact with other employees outside their functional area or line of command. Performance evaluations and rewards emphasize individual effort, although seniority tends to be the primary factor in the determination of pay raises and promotions.

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Exhibit 2-3 Contrasting Organizational Cultures (2 of 2)

Exhibit 2-3

Continued

Organization B

This organization is also a manufacturing firm. Here, however, management encourages and rewards risk taking and change. Decisions based on intuition are valued as much as those that are well rationalized. Management prides itself on its history of experimenting with new technologies and its success in regularly introducing innovative products. Managers or employees who have a good idea are encouraged to "run with it," and failures are treated as "learning experiences." The company prides itself on being market driven and rapidly responsive to the changing needs of its customers.

There are few rules and regulations for employees to follow, and supervision is loose because management believes its employees are hardworking and trustworthy. Management is concerned with high productivity but believes this comes through treating its people right. The company is proud of its reputation as a good place to work.

Job activities are designed around work teams, and team members are encouraged to interact with people across functions and authority levels. Employees talk positively about the competition between teams. Individuals and teams have goals, and bonuses are based on achievement of outcomes. Employees are given considerable autonomy in choosing the means by which the goals are attained.

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The Organization's Culture (3 of 13)

Strong Cultures:

– **Key values** are deeply held and widely held.
– Have strong **influence** on organizational members.

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The Organization's Culture (4 of 13)

Weak Cultures:

– Some organizations do not make clear what is important and what is not, and this lack of clarity is a characteristic of weak cultures. In such organizations, culture is unlikely to greatly influence managers.

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The Organization's Culture (5 of 13)

Exhibit 2-4 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 behaviours	Little connection between shared values and behaviours

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The Organization's Culture (6 of 13)

Why have strong cultures:

• Employees are more loyal

• Are associated with high organizational performance

WARNING

Drawback to a strong culture also might prevent employees from trying new approaches, especially when conditions change rapidly

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The Organization's Culture (7 of 13)

Subcultures:

  – Organizations have dominant cultures and **subcultures**
  – Subcultures are likely to be defined by **department designations** and **geographical separation**

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The Organization's Culture (8 of 13)

– Subcultures include the **core values** of the **dominant culture**, plus additional values unique to members of the subculture.

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The Organization's Culture (9 of 13)

Where Culture Comes From and how It continues:

– **Vision and mission of** the organization's **founder**
– **Is passed on and modified** based on macro environmental factors.

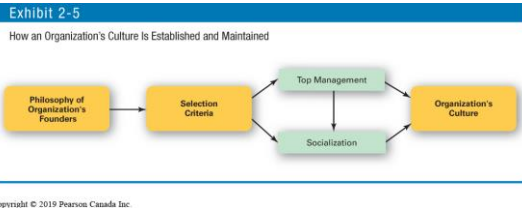Pearson   Copyright © 2019 Pearson Canada Inc.   2 - 17

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The Organization's Culture (10 of 13)

How an Organization's Culture is Established and Maintained:

– **Recruitment** of employees who "fit"
– Actions of **top management**
– **Socialization** of new employees to help them adapt to the culture

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Exhibit 2-5 How an Organization's Culture Is Established and Maintained

Exhibit 2-5

How an Organization's Culture Is Established and Maintained

Philosophy of Organization's Founders → Selection Criteria → Top Management / Socialization → Organization's Culture

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The Organization's Cultures (11 of 13)

How Employees Learn Culture:

Stories
– Narratives of significant events or actions of people that convey the spirit of the organization.

Rituals
– Repetitive sequences of activities that express and reinforce the values of the organization.

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The Organization's Cultures (12 of 13)

Material Artifacts and Symbols
– Physical assets distinguishing the organization.

Language
– Acronyms and jargon of terms, phrases, and word meanings specific to an organization.

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The Organization's Culture (13 of 13)

How Culture Affects Managers:

– Whatever managerial **actions** the organization recognizes as proper or improper on its behalf.
– Whatever organizational **activities** the organization values and encourages.
– The overall **strength** or **weakness** of the organizational culture.

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Current Organizational Culture Issues Facing Managers (1 of 8)

Creating an Ethical Culture:

– High in **risk tolerance**
– Low to moderate **aggressiveness**
– Focus on **means** as well as **outcomes**

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Current Organizational Culture Issues Facing Managers (2 of 8)

Creating an Innovative Culture:

– Challenge and involvement
– Freedom
– Trust and openness
– Idea time

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Current Organizational Culture Issues Facing Managers (3 of 8)

More on Creating an Innovative Culture…..

- – Playfulness/humour
- – Conflict resolution
- – Debates
- – Risk-taking

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Current Organizational Culture Issues Facing Managers (4 of 8)

Creating a Customer-Responsive Culture: Six Characteristics

- – Outgoing and friendly employees
- – Few rigid rules, procedures and regulations
- – Widespread use of empowerment
- – Good listening skills
- – Role clarity
- – Employees attentive to customer needs

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Current Organizational Culture Issues Facing Managers (5 of 8)

Creating a Culture That Supports Diversity

Managers can do this by:

- – showing that they value diversity through their decisions and actions.
- – look for ways to reinforce employee behaviours that exemplify inclusiveness.

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Current Organizational Culture Issues
Facing Managers (6 of 8)

Workplace Spirituality

A culture where workplace values promote a sense of purpose through meaningful work that takes in the context of community

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Current Organizational Culture Issues
Facing Managers (7 of 8)

Workplace Spirituality

Cultural Characteristics of Spiritual Organizations:
– Strong sense of purpose
– Focus on individual development
– Trust and openness
– Employee empowerment
– Tolerance of employee expression

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Current Organizational Culture Issues
Facing Managers (8 of 8)

The Organizational Environment:

– Managers must keep a finger on the pulse of the macro environment….especially when dealing with competitors!

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The Organizational Environment (1 of 6)

Defining the External Environment:

The forces and institutions outside the organization that potentially can affect the organization's performance.

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The Organizational Environment (2 of 6)

Components of the External Environment

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

Global environment: a major factor affecting managers from organizations of all sizes.

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The Organizational Environment (3 of 6)

How the Organizational Environment Affects Managers

Environmental Uncertainty:

The extent to which managers have knowledge of and are able to predict change.

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The Organizational Environment (4 of 6)

Environmental Uncertainty:

An organization's external environment is affected by:

- **Degree of change:** how dynamic or stable the external environment is.

- **Environmental Complexity:** the number of components in an organization's external environment.

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Exhibit 2-6 Environmental Uncertainty Matrix

Exhibit 2-6

Environmental Uncertainty Matrix

	Degree of Change	
	Stable	**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 in continual process of change. 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 in continual process of change. High need for sophisticated knowledge of components

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The Organizational Environment (5 of 6)
Managing Stakeholder Relationships

Stakeholders:

Any constituencies in the organization's external environment that are affected by the organization's decisions and actions.

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The Organizational Environment (6 of 6)

Why is stakeholder relationship management important?

- Can lead to **improved organizational performance**
- It's the **"right" thing to do** given the interdependence of the organization and its external stakeholders

Exhibit 2-7 Organizational Stakeholders

Exhibit 2-7
Organizational Stakeholders

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