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2. Human resource management / 2.5 Organisational (corporate) culture (HL)

The big picture

In the previous subtopics in this unit, you have examined organisational structure, leadership and management, and motivation. In Subtopic 2.6 (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39399/), which follows this subtopic, you will examine communication. All of these elements of human resource management in a business are dependent on the organisational culture of the workplace. Organisational culture is the set of values, attitudes, beliefs, expectations and assumptions of an organisation. A simple way of remembering culture is to think of it as 'the way we do things around here'. The culture of a business is the fabric that holds the human resources together.

Figure 1. Culture can be thought of as the fabric that holds the human resources of a business together.

Credit: Laure Moullé / EyeEm, Getty Images

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The crossover between human resources management and culture can be seen in the impact that Elon Musk's leadership has had on Tesla. While Musk is praised for his vision to 'accelerate the world's transition to sustainable energy', his erratic behaviour is credited, in part, for cultural problems in the Tesla workplace. Allegations of discrimination, sexism, intense pressure to produce causing unsafe working conditions, and other issues have plagued the company.

Culture is so fundamental to organisations that many businesses believe that it matters as much as finance and recruitment for business success. Culture can be considered a hygiene factor in Herzberg's two-factor model. Toxic, or poisonous, workplace cultures have been cited as a key driver of labour turnover in the 'Great Resignation' that you may have researched in Subtopic 2.4 (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39054/). It is equally important that the culture matches the values of employees. A positive organisational culture creates the base conditions in which employees can thrive.

🔑 **Concept**

Sustainability (social)

Fostering a positive workplace culture is one way that businesses can ensure that they are supporting worker wellbeing and motivation. This improves a business's social sustainability by supporting the social foundation of the Doughnut Economics Model (Section 1.1.2 (/study/app/business-hl/sid-351-cid-762729/book/the-doughnut-economics-model-id-36500/)).

Learning objectives from the IBDP Business Management guide with assessment objective level:

- **Describe** elements of organisational culture (AO1)
- **Analyse** types of organisational culture (AO2)
- **Discuss** cultural clashes that can emerge when organisations change (AO3)
- **Apply** Hofstede's cultural dimensions in a particular context (AO2)

2. Human resource management / 2.5 Organisational (corporate) culture (HL)

The elements of culture

Organisational culture (HL)

Having a strong, defined organisational culture can benefit businesses and their employees. A clear culture can create more harmony among employees making work more enjoyable, encouraging teamwork, and resulting in lower labour turnover and greater productivity. Employees will have a clearer understanding of the organisation, their relationships, expectations, and 'the way we do things around here'. Weak or poorly defined culture, on the other hand, can create confusion and uncertainty among employees. This can lead to an increase in 'negative gossip' and a fall in productivity.

Elements of culture

Organisational culture is complex, but there are a number of key elements:

- **Vision, mission and values of the organisation**. The vision, mission ([Section 1.3.1 (/study/app/business-hl/sid-351-cid-762729/book/vision-and-mission-statements-id-36516/)](/study/app/business-hl/sid-351-cid-762729/book/vision-and-mission-statements-id-36516/)) and core values of an organisation are together called the guiding statements. These guiding statements can frame the organisational culture by informing the employees about the direction of the business. They also help employees spot situations and culture development that may not be in line with the business's overall direction.
- **Practices**. Businesses should put their values into practice. If an organisation professes to be environmentally supportive, then this should be evident in their practices.
- **History and narrative**. Every great organisation has a story that influences the way employees view the organisation and their work in it. An understanding of 'how we got to where we are' can influence the assumptions, values and beliefs of those in an organisation.
- **People**. Recruitment practices ([Subtopic 2.4 (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39054/)](/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39054/)) contribute to organisational culture. Businesses need thorough workforce planning and a robust recruitment process that is committed to finding the right people for the organisation.

🔗 **Making connections**

You will notice, in the discussion below, that it is impossible to separate culture from the elements of human resource management that you have been studying in the other subtopics of this unit.

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Culture influences — and is influenced by — all the elements of human resource management. Thus, when you discuss culture, you will often be referring to a particular combination of human resource management practices.

Figure 1. The culture of an organisation influences and is influenced by all the elements of human resource management.

Credit: Constantine Johnny, Getty Images

⬡ Theory of Knowledge

Learner profile: Thinkers
Approaches to learning: Thinking skills (critical thinking)

Many businesses hire new employees who they know will fit into their business culture. While it can be argued that a business wants shared values among its employees, there is also a case for bringing in new employees who may disrupt the organisation.

Adam Grant is a prominent organisational psychologist at the Wharton School of Business. In **Video 1**, he explains why hiring for cultural fit is not always a good idea.

- What is the role of culture in knowledge creation?

- To what extent is the disruption of culture essential for new knowledge?

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Adam Grant: Hire for Culture Fit or Add?

Video 1. Adam Grant explains why a business might not want to hire for cultural fit.

Organisational culture is also related to organisational structure (Subtopic 2.2 (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39353/)), leadership style (Subtopic 2.3 (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39392/)), codes of conduct, and rituals. **Figures 2** and **3** highlight some visual elements of organisational culture including dress code, workspace layout, and formality of communication (Subtopic 2.6 (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39399/)).

Figure 2. Formal dress and private space.

Credit: VioletaStoimenova, Getty Images

Figure 3. Informal dress and open space.

Credit: Pekic, Getty Images

⚙⚙ ## Activity

Learner Profile: Reflective
Approaches to Learning: Self-management skills (reflection)

Here are two activities that can help you reflect on the role of culture in organisations.

Activity 1

Canadian tech company Left was founded in 2010 and specialises in providing sustainable and meaningful travel. It has been awarded *Best for the World* status by B Corp 🔗 (https://www.bcorporation.net/en-us)for its approach to its workforce, in part because of its positive business culture.

Access the Left website 🔗 (https://www.left.io) and find the core values of the company.

- How might the values listed by Left affect its approach to the four business functions: human resource management, finance and accounts, marketing and operations?

- To what extent do the core values of Left match yours? Would this be a company that you would be interested in working for? Why or why not?

- Do you think that social enterprises like Left have an easier or harder time establishing a positive business culture than for-profit commercial enterprises? Discuss this with a partner or in class.

Activity 2

When schools undergo accreditation from national or international organisations, they normally have to reflect on or rewrite their vision, mission and core values, which are together known as guiding statements.

Consider your school's guiding statements.

- To what extent do you think those statements are influencing the culture of the school?

- Do the school's practices need to change to be more in line with the guiding statements?

- Or do the guiding statements need to be updated to match the developing culture of the school?

2 ==section questions== ⌃

Question 1

What business management term means the values, beliefs, assumptions and practices of an organisation, or 'the way we do things around here'?

✏️ Organisational culture   ✓

Accepted answers

Organisational culture

Also accepted

Organizational culture, Culture, Corporate culture, Organisational (corporate) culture, Organizational (corporate) culture

Explanation

Culture refers to the assumptions, values, practices and beliefs of any group of people. Organisational culture means the culture that develops around an organisation like a business. This culture shapes 'the way we do things around here'.

Question 2

Which of these factors is most likely to be responsible for influencing the existing organisational culture of a traditional business?

1   Company history and folklore   ✓

2   Motivation of employees

3   Sales and revenue

4   Competitors' market share

Explanation

Company history and folklore often contribute heavily to shaping organisational culture. Companies like Coca-Cola and Cadbury, for example, have museums to display their rich history. Ferrari has a theme park to display the company's success stories in unique ways.

2. Human resource management / 2.5 Organisational (corporate) culture (HL)

Types of organisational culture

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Student view

Types of organisational culture (HL)

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**.
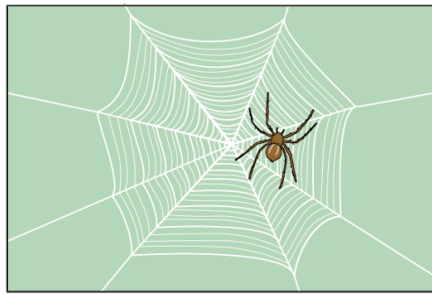
Charles Handy described power culture as a spider's web. Just like a web becomes powerless without the spider, the organisation comes to a standstill without the decision-makers (see Section 2.5.5 (/study/app/business-hl/sid-351-cid-762729/book/tool-hofstedes-cultural-dimensions-id-39406/)).
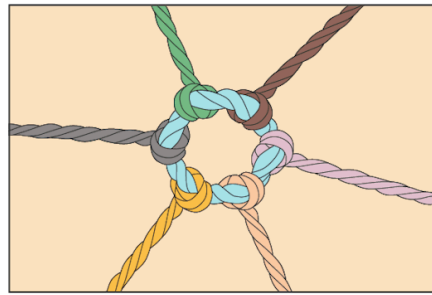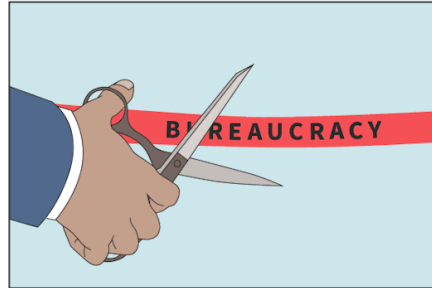
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Figure 1. Power culture at a glance.

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.

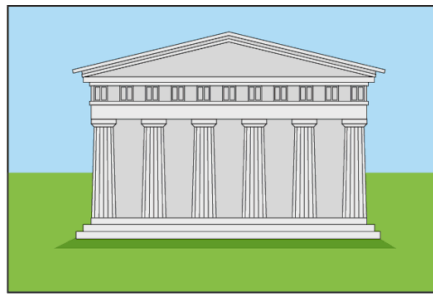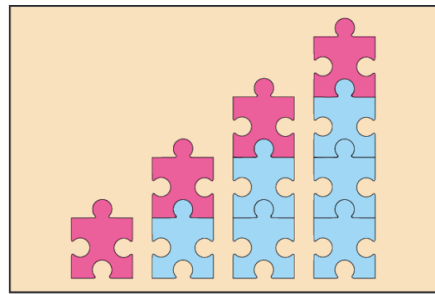Section   Student... (0/0)   Feedback   Print (/study/app/business-hl/sid-351-cid-
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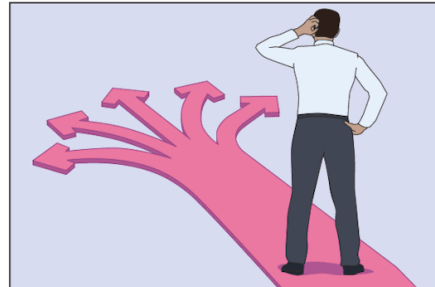view

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Figure 2. Role culture at a glance.

👁 More information for figure 2

The image consists of four illustrations, each with a distinct label.

1. **Temple**: This illustration shows a traditional temple with Greek-style columns. The building is depicted as stable and well-defined, symbolizing the stability of role culture organizations.

2. **Multiple hierarchy**: This part features puzzle pieces stacked in a hierarchical manner, illustrating complex organization levels typical in role cultures.

3. **Bureaucracy**: A woman in business attire is shown caught in a web of red tape, metaphorically representing the bureaucratic nature of such organizations and the challenges of navigating them.

4. **Slow decision-making**: Here, a man stands on a path with multiple branching arrows, signifying the slow process of making decisions within organizations characterized by role culture.

[Generated by AI]

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

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view

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.
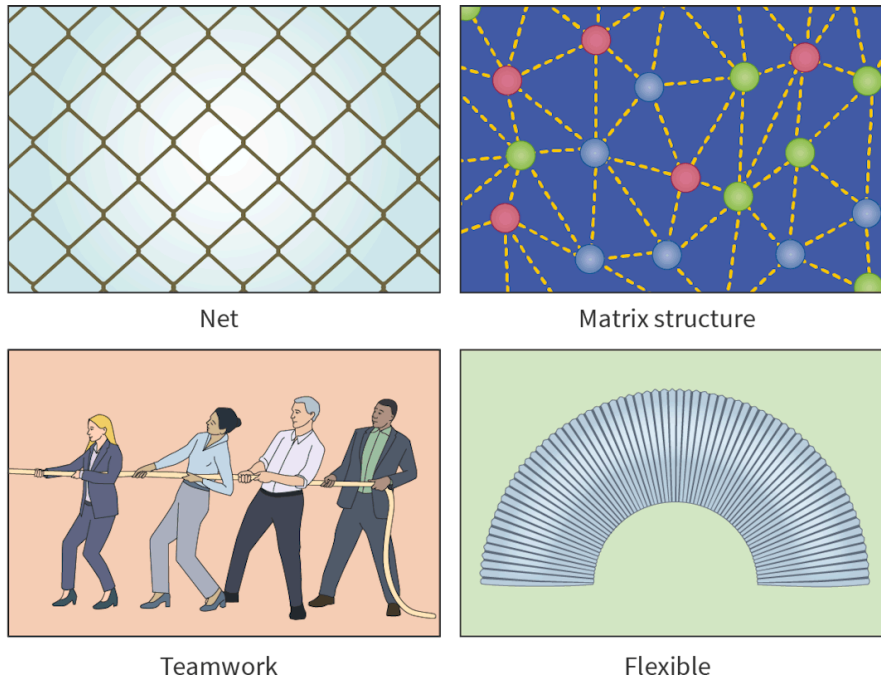

Net

Matrix structure

Teamwork

Flexible

Figure 3. Task culture at a glance.

👁 More information for figure 3

The image is divided into four sections, each representing different concepts of task culture:

1. **Net:** The top-left section shows a grid-like pattern resembling a net, symbolizing interconnections and strength in unity. It highlights how task culture relies on various strands and connections within an organization.

2. **Matrix Structure:** The top-right section illustrates a complex network with nodes and dashed lines interlinking different colored circles. This signifies a matrix organizational culture where different departments or units collaborate, similar to interconnected nodes in a network.

3. **Teamwork:** The bottom-left section depicts four people in business attire engaging in a tug-of-war game, symbolizing teamwork. This reflects the collaborative effort required in a task culture to achieve goals.

4. **Flexibility:** The bottom-right section features a flexible object bending in an arc on a green background, representing adaptability and the ability to adjust to changing conditions within a task culture.

[Generated by AI]

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.
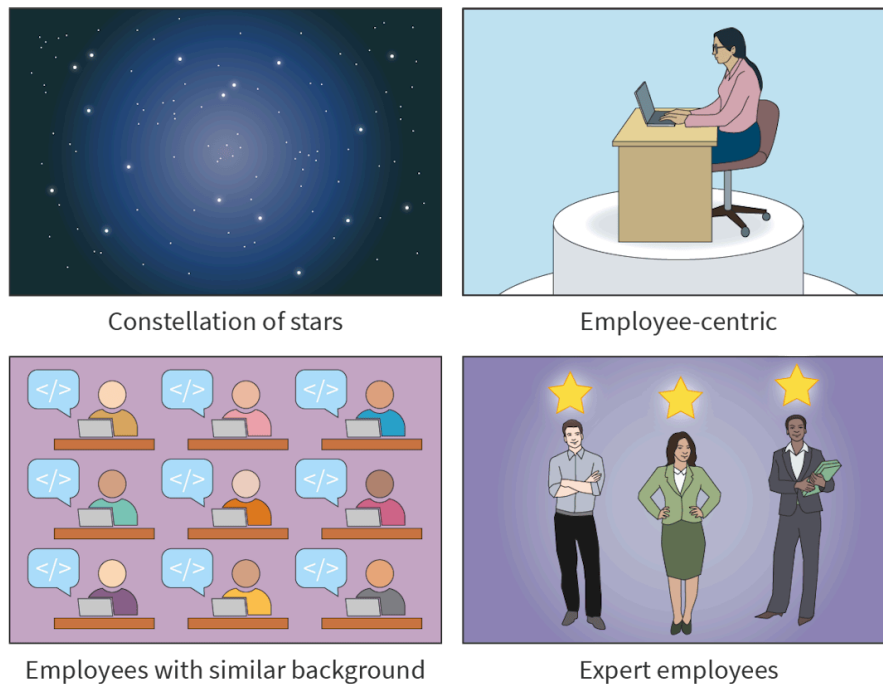

Figure 4. Person culture at a glance.

More information for figure 4

The image is a collage of four illustrations, each representing a different concept of person culture.

1. The top left shows a "Constellation of stars," symbolizing a collection of valued individuals, similar to stars in a constellation. Each star signifies the importance and uniqueness of individual contributions to a company's culture.

2. The top right titled "Employee-centric" depicts a woman sitting at a desk working on a laptop, emphasizing a workplace focused on individual employees' roles and contributions.

3. The bottom left image labeled "Employees with similar background" features a grid of people sitting at desks with laptops, surrounded by speech bubbles with coding symbols, illustrating a team with common skills and backgrounds.

4. The bottom right, "Expert employees," shows three professionals standing confidently under star symbols, indicating their expertise and significant role within the company.

[Generated by AI]

ⓘ **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
Level 1 **Red organisations**	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.
Level 2 **Amber organisations**	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.
Level 3 **Orange organisations**	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.

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Organisation culture	Description
Level 4 **Green organisations** 	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.
Level 5 **Teal organisations** 	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/business-hl/sid-351-cid-762729/book/changes-in-organisational-structures-hl-id-39389/) you learned about an organisational structure called holacracy. 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.

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.

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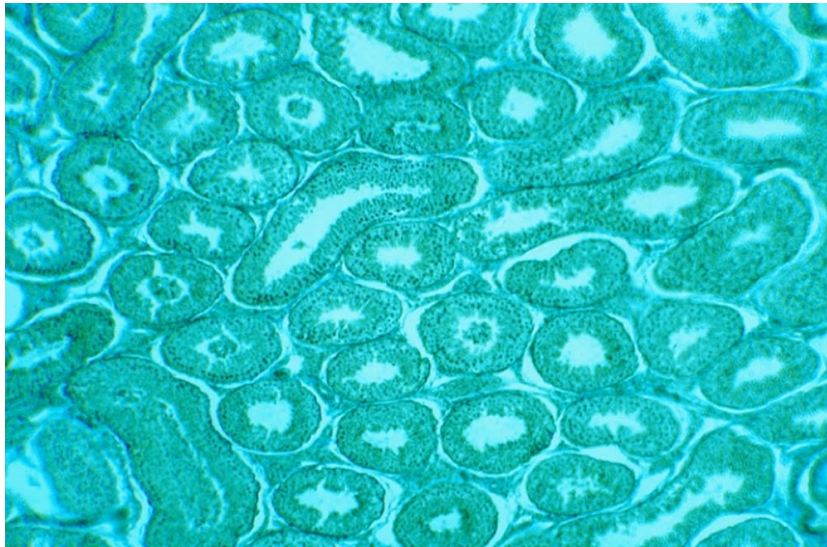hl/sid-
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Figure 5. Teal organisations are like living organisms, adapting and evolving, flexible and resilient.

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 15 000 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]

Question 1

Organisational culture is the set of values, attitudes, beliefs, expectations and assumptions of an organisation. It is the 'way we do things around here'. It influences and is influenced by elements of human resource management such as organisational structure, leadership style and practices such as recruitment, training, and rewards.

Define is an AO1 level command term, requiring a precise meaning of a word.

- One mark is given for a vague definition.
- Two marks are given for a complete definition.
- Definitions do not require application to the stimulus material.

Question 2

The organisational culture at Buurtzorg has cost benefits for the business. The culture is defined by the autonomy of the self-organised teams of nurses that deliver care in communities. In this model, the teams of 12 nurses do not need

managers overseeing their work. Thus, there are no levels of hierarchy in the organisation that add to labour costs for management. According to the video, Buurtzorg's overhead costs are 67% lower than those of its competitors.

Another benefit is motivation for the employees. According to Deci and Ryan's self-determination theory, employees are motivated by autonomy, competence and relatedness. Buurtzorg's culture and organisation provides all three factors, as nurses enjoy a great deal of independence, form teams that support each other to develop professionally, and also form close contacts in neighbourhoods with their care clients. As a result, Buurtzorg's staff absenteeism is 33% lower than its competitors, and staff turnover is 50% lower than competitors.

Explain is an AO2 level command term, requiring a detailed account including reasons or causes. Explain *why*, explain *how*.

- You should provide a short paragraph that focuses on a cost benefit and a second short paragraph that focuses on a motivation benefit.
- To achieve full marks, you must always include theory and application to the case study in your responses to the **explain** command term.

3 section questions ⌃

Question 1

Charles Handy used the image of a spider's web to describe which particular culture?

✏️ Power culture   ✓

Accepted answers
Power culture, Power

Also accepted
Cultura de poder, cultura del poder, The Power Culture

Explanation
Like a web that becomes powerless without the existence of the spider, the organisation comes to a standstill without the decision-makers. Hence, power culture is characterised by the dominance of a single leader or a few leaders.

Question 2

All organisations should strive to establish a person culture. True or false?

✏️ False   ✓

Accepted answers
False, F

Explanation
Culture is contextual. The right culture for one organisation is not necessarily the right culture for another. It will depend on the national culture, the needs and expectations of the workforce, the type of product and the objectives of the business.

Question 3

Which type of organisational culture is best described by teamwork, group dynamics and relationships between peers?

1	Task culture	✓
2	Person culture	
3	Power culture	
4	Role culture	

Explanation
Teamwork, group dynamics and relationships between peers are decisive factors in getting the work done in task cultures.

2. Human resource management / 2.5 Organisational (corporate) culture (HL)

Cultural clashes

Cultural clashes (HL)

Businesses experience changes over time due to internal and external influences. With time, employees come and go, businesses grow or shrink, leadership styles adapt, and ownership and the form of companies also change. Change can bring about clashes in culture. A cultural clash within a business occurs when more than one culture competes for dominance, and conflict results.

Cultural clashes can have significant impacts on a business and its employees. Culture clashes are likely to be a hygiene factor that can cause employee dissatisfaction, low motivation and higher labour turnover. Confusion over expectations and relationships can make it more difficult for teams of people to work together and can lead to lower productivity and higher costs for the business.

Figure 1. Culture clashes can leave employees feeling confused and fearful.

Credit: Jose Luis Pelaez Inc, Getty Images

🔑 Concept

Change and **Creativity**

Change refers to an act or process through which something becomes different. Businesses operate in a dynamic world with constant change. Both internal factors like human resource management, and external factors like economic and environmental conditions, can cause change in a business. When change occurs and cultural clashes emerge, businesses need to find ways to re-establish a shared 'way of doing things' so that employees and other stakeholders can thrive in and with the organisation.

Culture clashes can also affect creativity. Working in a multicultural environment has the potential to bring positive benefits of multiple new perspectives and practices to the workplace. However, research shows ☑ (https://hbswk.hbs.edu/item/cultural-disharmony-undermines-workplace-creativity) that cultural disharmony can actually impede creativity. Businesses can reduce such disharmony by raising cultural awareness among employees about their biases and assumptions in order to encourage more informed interactions with others.

Circumstances that can lead to cultural clashes

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Internal and external growth

Growth (Subtopic 1.5 (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-36532/)) of a business brings change: new products, new markets, new stakeholders and new processes. All of these changes to the elements of the business can bring changes to culture as well, causing potential cultural clashes.

Internal growth, during which a business expands its output, sales or staff with its own resources, is less likely to cause more cultural clashes than external growth, where another business is involved. But even internal growth may require entering new markets where the existing culture is no longer appropriate. Likewise, as a business gets larger, relationships and expectations of employees may change. The workaholic culture of a startup may need to give way to a culture that values greater work–life balance of the employees as the business matures. This transition can cause conflict if not managed appropriately.

External growth almost always involves cultural tensions. Organisational culture is so unique to every business that it is very unlikely that any two businesses have the same culture. So when a business is involved in a takeover, acquisition or merger, there can be culture clashes between the two organisations. Culture clash is one of the leading reasons why external growth strategies can fail.

One high profile example of where culture clash appears to have hindered the integration of two companies is the acquisition of Whole Foods by Amazon ⬀ (https://hbswk.hbs.edu/item/amazon-vs-whole-foods-when-cultures-collide). Whole Foods is an expensive bricks-and-mortar grocery store focused on organic food. Amazon is a large online retailer. Amazon is defined by a top-down, strict and rules-oriented organisational culture. This culture is perhaps suited to the needs of the Amazon because it is technology-driven, is operating with slim profit margins and needs to be highly efficient. However, the Whole Foods grocery store chain was known for being more employee-centric, with decentralised decision-making, autonomy and empowerment for its employees. While the merger might have made sense in terms of Amazon's product portfolio, the culture clash between the two organisations meant that the integration did not go smoothly.

It is very important that organisations that are considering external growth critically assess and understand culture differences and actively work to resolve them. According to the consultancy Deloitte, it is very important to develop a narrative around the business integration ⬀ (https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/us-cons-

safeguarding-m-and-a-deal-value-managing-culture-clash.pdf) that taps into employees' sense of purpose, rather than focusing on technical benefits of external growth such as economies of scale. When employees feel connected to a greater vision and mission, then culture clashes may be easier to resolve.

Figure 2. Employees may find it difficult to assimilate the new vision and mission of the business if it has undergone external growth.

Credit: Klaus Vedfelt, Getty Images

Change in leadership

When a business has a new leader, there can be a change in leadership style. And if the change in style is significant, employees may find it particularly difficult to cope with the changed expectations in relationships, chain of command and decision-making. This can be particularly true if the team is used to a democratic leadership style and has to adapt to an autocratic leadership style. The loss of autonomy and voice can be very demotivating.

Multinational expansion

In Subtopic 1.6 (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-36543/) you learned about multinational companies. There are many benefits in terms of sales revenue, diversification and economies of scale for a business to expand internationally. However, expanding operations to other countries carries a particular risk of culture clash because of differences in language, working habits and hours, relationships between employees, and even ethical norms.

In the Middle East, for example, verbal commitments are often valued more than contracts. As religion plays a critical role in shaping the culture, society and the economy, most of the employees are expected to take time off during the daily prayers. Employees are not expected to

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eat and drink during the holy month of Ramadan.

All traditional businesses in Spain make allowance for a siesta time. Most businesses remain closed between 2:00 p.m. and 4:30 p.m. to accommodate this practice. Moreover, when a national holiday falls on a Tuesday or a Thursday, it is common in the government offices to take the Monday or Friday off and have a long weekend.

Employees in Japan, on the other hand, are expected to minimise the number of holidays they take, and are known for putting in long working hours. Most companies in Japan are known for being detail-oriented and are very particular about quality.

Aside from the more obvious and visible cultural differences mentioned here, there are also more invisible elements of culture that may have an even more profound importance to businesses that operate across borders. These are explored in Hofstede's cultural dimensions tool in Section 2.5.5 (/study/app/business-hl/sid-351-cid-762729/book/tool-hofstedes-cultural-dimensions-id-39406/).

Figure 3. Multinational companies may be especially prone to cultural clashes.

Credit: lupengyu, Getty Images

👁 More information for figure 3

The image is a stylized world map created with a series of dots, representing the continents in a simplified manner. Superimposed on this map are curved lines that connect different parts of the globe, indicating routes or connections between multiple regions. These lines might symbolize global communication, trade routes, or cultural connections. The image uses a gradient blue background, giving it a modern, digital appearance. The focal points where the lines converge or change direction are highlighted, possibly representing key global hubs or centers of activity.

[Generated by AI]

⊕ **International Mindedness**

Organisational culture has many elements. Some of those elements are defined by internal factors, such as the organisational structure of the business and recruitment practices. However, other elements of organisational culture are influenced by external factors.

National culture has a major impact on the organisational culture of a business. This is because every organisation exists inside a larger cultural context of the country where it resides. This larger cultural context will impact the expectations and relationships of the people who work inside the organisation.

2 section questions ⌃

Question 1

A   1   Culture clash   ✓   is when more than one culture competes for dominance in an organisation, and conflict results.

Accepted answers and explanation

#1   Culture clash
     cultural clash
     Cultural clash

General explanation

Culture varies in different organisations. Due to the dynamic nature of business, cultural clashes can occur at any time. A cultural clash is when there is more than one culture that is competing for dominance in the organisation. These competing cultures can result in conflict between employees.

Question 2

Which kind of growth is most likely to lead to a cultural clash within an organisation?

     1   External growth   ✓

     2   Internal growth

3   Generative growth

4   Revenue growth

Explanation

External growth involves the integration of two or more businesses, for example through a takeover, an acquisition or a merger. Because no two businesses are culturally the same, this will inevitably involve culture change and a possible culture clash. Thus, businesses that are planning on integrating through external growth need to carefully address and plan for cultural integration.

Section   Student... (0/0)   📢 Feedback   🖨 Print   (/study/app/business-hl/sid-351-cid-762729/book/types-of-organisational-culture-id-39403/print/)   Assign

2. Human resource management / 2.5 Organisational (corporate) culture (HL)

Terminology exercise

Section   Student... (0/0)   📢 Feedback   🖨 Print   (/study/app/business-hl/sid-351-cid-762729/book/terminology-exercise-id-39405/print/)   Assign

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Check that you understand the terminology used in this subtopic by dragging the correct word into each space.

The term _____ culture refers to the set of values, attitudes, beliefs, expectations and assumptions of an organisation. A simple way of remembering culture is to think of it as 'the way we do things around here'. Culture influences and is influenced by all the elements of _____ management, including organisational structure, leadership style, rewards, training, recruitment and communication.

Handy's Gods of Management theory claims that there are four dominant cultures in business. In businesses that exhibit a _____, decision-making is highly centralised and leaders tend to be autocratic. In a business with a _____, roles within the organisation are flexible, and productive, independent teamwork is valued. An organisation with a _____ is defined by clear rules and hierarchies, and employees have power through their position rather than their own qualities. Finally, businesses with a _____ tend to be employee-centric and employees often have a similar level of knowledge and expertise.

When change occurs in an organisation, there can be a _____ – a situation where more than one culture competes for dominance and conflict results. Cultural clashes can increase _____ and decrease _____, so it is important for businesses to avoid or reduce them as much as possible. In particular, when a business pursues _____, it will need to ensure that cultural integration occurs along with the integration of operations.

(person culture) (labour turnover) (task culture) (external growth) (cultural clash)
(power culture) (motivation) (organisational) (role culture) (human resource)

✓ Check

Interactive 1. Understanding Organisational Culture.

2. Human resource management / 2.5 Organisational (corporate) culture (HL)

Tool: Hofstede's cultural dimensions

Tool: Hofstede's cultural dimensions (HL)   Tool: Hofstede's cultural dimensions (HL)

| Section | Student... (0/0) | 📢 Feedback | 🖨 Print (/study/app/business-hl/sid-351-cid-762729/book/tool-hofstedes-cultural-dimensions-id- | Assign |

Globalisation is the increased movement of people, products, ideas and culture across international borders. Though it is clear how globalisation has reduced cultural differences in certain areas, there are still significant differences in the values, assumptions, beliefs and practices of people in different countries. Systems and structures for managing people are uniquely determined by tradition. If a Japanese worker is asked to discuss the fairness of pay, they will probably use the proverb, 'The nail that sticks out should be hammered down', stressing the need for egalitarianism and group compliance. A US worker, however, may be dissatisfied if their contribution to the success of the company is not individually recognised in financial terms. Businesses that wish to operate in a multinational context need to understand and adapt to cultural diversity both in their internal operations with human resources and with regard to their marketing.

National cultural context

Geert Hofstede is a prominent theorist on national culture. He has referred to culture as the 'software of the mind'. In his book *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations across Nations* (2001), Hofstede describes a study based on 1968 and 1972 survey data collected on IBM employees across more than 60 countries. His study provides insights into varying cultural traits in these countries. Through this study, Hofstede identified the following dimensions that can help to analyse cultural differences between national groups:

- **Power distance**. This is the extent to which people are prepared to accept a hierarchical power structure. This dimension explains the degree of organisational hierarchy and the extent of formality in chains of communication. Northern Europe and the USA have low power distance. This means that there is likely to be more bottom-up communication and less hierarchy. Southern Europe, Latin America and Africa are more comfortable with hierarchy and paternalism.

- **Uncertainty avoidance**. This is about the degree of tolerance that members of society have towards risk and ambiguity. People in Japan, Latin America and Mediterranean countries are more risk averse. In these countries, rules may be tighter and there is likely to be more hierarchy; there are formal chains of command. In the UK, Sweden and the USA, employees and organisations are more likely to take risks and are more comfortable with ambiguity. In these countries, there will be less hierarchy, and thinking outside the box is more common.

- **Individualism versus collectivism**. This dimension is about whether the society values individuals or the group more highly. Individualistic societies value individual contributions and are more competitive. In collectivist societies, contributions to the common good are valued and individualism is often frowned upon. In countries that are

more individualistic, like the USA, you are more likely to see rewards such as performance-related pay. Higher degrees of collectivism are found in Asia, Latin America, Eastern Europe and developing countries.

- **Masculinity versus femininity.** This dimension explains the values of the group in terms of the 'masculine' values of financial rewards, personal recognition, competition and the self as opposed to the 'feminine' values of wellbeing, personal relations, nurturing and sharing. These values might affect, for example, how common it is to provide flexible working conditions to achieve a better work–life balance. Japan, Austria and Latin American countries are considered masculine countries, while Scandinavian countries and the Netherlands are more oriented on wellbeing, relating and sharing. This can help explain why the Netherlands is the country with the highest level of part-time labour in Europe.

- **Long-term versus short-term orientation**. This dimension explores the differences in businesses in terms of the time horizon of their objectives. Some countries, particularly in Asia, are more oriented towards long-term objectives; these societies are willing to pursue more patient business strategies. Short-term thinking is associated with Anglo–Saxon countries in particular. In these countries, objectives are more focused on short-term profitability, which can put more pressure on businesses to deliver high revenues and cut costs. However, such strategies may be damaging to the business in the long term. Taking high risks to earn more revenue or cutting costs excessively can both damage the long-term health of the business.

- **Indulgence versus restraint**. This dimension is about the extent to which the society allows people to freely satisfy their basic human drives related to having fun and enjoying life. Those societies that are indulgent permit and even encourage this. However, in those societies that are defined by restraint, people are more likely to suppress personal gratification. In these societies, there may be social norms that significantly restrict people's behaviour.

Although Hofstede's study offers a framework to consider cultural differences, there are many criticisms of the work. The study originally involved IBM workers and there have been criticisms at the sampling methods of the surveys used in the study. Many also point out that culture is incredibly complex and varied, even within countries, so that it is not appropriate to generalise about culture for an entire country. Another issue with the theory is that it presents culture as a static phenomenon while in reality culture changes over time.

⚙ **Activity**

Learner profile: Thinkers
Approaches to learning: Thinking skills (critical thinking)

Another framework for thinking about national and organisational culture is to use two broad categories: tight and loose ⧉ (https://behavioralscientist.org/tight-and-loose-cultures-a-conversation-with-michele-gelfand).

Tight cultures have very strong social norms; deviating from these norms is frowned upon by the group. Loose cultures have weaker social norms; it is more accepted to deviate from the norms.

- Consider Hofstede's six dimensions. Do they fit into the tight—loose framework? Discuss with a partner or the class.

⚙️ **Activity**

Learner profile: Inquirers
Approaches to learning: Research skills (information literacy)

Hofstede Insights, a culture consulting company for organisations, offers a country comparison tool ⧉ (https://www.hofstede-insights.com/country-comparison/).

1. As a short activity, use the country comparison tool to find the country where you live, or a country with which you closely identify. Does the analysis of the country in terms of Hofstede's six dimensions make sense to you? Why or why not?

2. As a longer task, use the country comparison tool to identify two countries with very different cultural dimensions results. Briefly describe the results of each country and explain how the approach to **human resource management** might be different in each country, based on the national culture.

3. As a further longer task (to be completed while or after studying Unit 4, Marketing (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-37435/), use the country comparison tool to identify two countries with very different cultural dimensions results. Briefly describe the results of each country and explain how the approach to **marketing** might be different in each country, based on the national culture.

2. Human resource management / 2.5 Organisational (corporate) culture (HL)

Checklist

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📋 **What you should know**

By the end of this subtopic, you should be able to:

- define the following terms: (AO1)
  - organisational (corporate) culture
  - Handy's *Gods of Management theory*
  - cultural clashes
- describe elements of organisational culture (AO1)
- analyse types of organisational culture using Handy's *Gods of Management theory* or Laloux's theory (AO2)
- discuss cultural clashes that can emerge when organisations change (AO3)
- apply Hofstede's cultural dimensions in a particular context (AO2)

2. Human resource management / 2.5 Organisational (corporate) culture (HL)

Reflection

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🧑‍🏫 **Teacher instructions**

The goal of this section is to encourage students to pause at the end of the subtopic and to reflect on their learning. Students can use the questions provided below to guide their reflection. The questions encourage students to look at the bigger picture and to consider how the subtopic's contents might have impacted the way they view the subject.

The following table shows you how each prompt aligns to the DP *Business management guide*:

Prompt #	Syllabus alignment
1	**Learner profile:** Inquirers
2	**Concept:** Creativity
3	**Concept:** Change

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Students can submit their reflections to you by clicking on 'Submit'. You will then see their answers in the 'Insights' part of the Kognity platform.

✏️ **Reflection**

In this subtopic you learned about organisational culture and looked at organisational culture models.

Take a moment to reflect on your learning so far. You can use the following questions to guide your reflection. If you click 'Submit', your answers will be shared with your teacher.

1. The organisation most familiar to you is probably your school. Using Handy's Gods of Management Theory (see Section 2.5.2 (/study/app/business-hl/sid-351-cid-762729/book/types-of-organisational-culture-id-39403/)), how would you describe the organisation culture at your school? Do you think that it is an appropriate culture for an educational institution? Why or why not?

2. In this and prior subtopics you have seen creative models of organisations, culture and human needs. Do you think that it is necessary for humans to build models to make sense of the world around them?

3. Do you agree that it is essential for a culture to be adaptable to change? Using Laloux's culture model (see Section 2.5.2 (/study/app/business-hl/sid-351-cid-762729/book/types-of-organisational-culture-id-39403/)) as a guide, which would be the most prevalent level of organisation in 20 to 30 years from now, in your opinion?

⚠️ Once you submit your response, you won't be able to edit it.

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Submit

❌ Student view

Rate subtopic 2.5 Organisational (corporate) culture (HL)

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