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Chapter 2

Organizational Culture and the Organizational Environment

Are managers free to do whatever they want? In this chapter, we'll look at the factors that limit the discretion managers have in doing their jobs. These factors are both internal (the organization's culture) and external (the organizational environment). Focus on the following learning outcomes as you read and study this chapter.

LEARNING OUTCOMES

2.1 Compare and contrast the actions of managers according to the omnipotent and symbolic views.
2.2 Discuss the characteristics and importance of organizational culture.
2.3 Describe what kinds of cultures managers can create.
2.4 Describe the features of the specific and general organizational environments.

CHAPTER VIGNETTE SUMMARY

3M is often used as the quintessential example of a traditional company that has embraced an innovative culture. In the opening vignette, students are asked to imagine themselves working for 3M and what their reaction might be. (Do not be surprised if many share that they would be very uncomfortable working in this environment.) Students are then asked to consider the impact of moving from and innovative culture to one driven by process improvement and then the challenges in 2006 of returning to the innovative values. This dilemma, process improvement versus innovation, is then raised again in the second vignette. In the third vignette, students are asked to consider the robustness of an innovative culture when faced with the 2008 financial collapse which was triggered by the sub-prime mortgage crisis.

CHAPTER OUTLINE

INTRODUCTION

Managers must be aware that organizational culture and organizational environments will influence both the way an organization is managed as well as its effectiveness. In this chapter, both organizational culture and organizational environment are explored in order to understand the complexities involved with each.

1. THE MANAGER: OMNIPOTENT OR SYMBOLIC?

Two positions on the role that managers play in an organization's success or failure have been proposed.

A. The **omnipotent view of management** says that managers are directly responsible for the success or failure of an organization.

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1. This view of managers as omnipotent is consistent with the stereotypical picture of the take-charge executive who can overcome any obstacle in carrying out the organization's objectives.
2. When organizations perform poorly, someone must be held accountable. According to this view, that "someone" has been management.

B. The **symbolic view of management** takes the position that much of an organization's success or failure is due to external forces outside managers' control.
1. What managers do affect greatly are symbolic outcomes.
2. Organizational results are influenced by factors outside the control of managers: economy, market changes, governmental policies, competitors' actions, the state of the particular industry, the control of proprietary technology, and decisions made by previous manager in the organization.
3. The manager's role is seen as creating meaning out of randomness, confusion, and ambiguity.
4. According to the symbolic view, the actual part that management plays in the success or failure of an organization is minimal.

C. Reality suggests a synthesis. In reality, managers are neither helpless nor all powerful. Instead, it's more logical to look at the manager operating within constraints imposed by the organization's culture and environment. (See **Exhibit 2-1**.)

2. THE ORGANIZATION'S CULTURE

Just as individuals have a personality, so, too, do organizations. We refer to an organization's personality as its culture.

A. What is Organizational Culture?

Organizational culture is the shared values, principles, traditions, and ways of doing things that influence the way organizational members act and that distinguish the organization from other organizations.

This definition implies:
1. Culture is a perception. Individuals perceive the organizational culture on the basis of what they see, hear, or experience within the organization.
2. Culture is shared by individuals within the organization.
3. Culture is a descriptive term, it describes rather than evaluates.
4. **Exhibit 2-2** outlines the seven dimensions of an organization's culture.
   a. Innovation and risk taking (the degree to which employees are encouraged to be innovative and take risks)
   b. Attention to detail (the degree to which employees are expected to exhibit precision, analysis, and attention to detail)
   c. Outcome orientation (the degree to which managers focus on results or outcomes rather than on the techniques and processes used to achieve those outcomes)
   d. People orientation (the degree to which management decisions take into consideration the effect on people within the organization)

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e. Team orientation (the degree to which work activities are organized around teams rather than individuals)
f. Aggressiveness (the degree to which people are aggressive and competitive rather than easygoing and cooperative)
g. Stability (the degree to which organizational activities emphasize maintaining the status quo in contrast to growth)

5. **Exhibit 2-3** describes how the cultural dimensions can be combined to create significantly different organizations.

B. Strong vs. Weak Cultures

1. **Strong cultures** are possessed by those organizations in which the key values are deeply held and widely shared.
2. Whether an organization's culture is strong, weak, or somewhere in between will depend on organizational factors such as size, age, employee turnover rate, and intensity of original culture.
3. Most organizations have moderate to strong cultures. There's high agreement on what's important, what defines "good" employee behaviour, and so forth.
4. An increasing body of research suggests that strong cultures are associated with high organizational performance.
5. Strong cultures do not always yield positive results, however, as strong culture might prevent employees from trying new approaches.

C. Subcultures

1. A **dominant culture** expresses the core values that are shared by a majority of the organization's members.
2. **Subcultures** tend to develop in large organizations to reflect common problems, situations, or experiences that members face. These minicultures are likely to be defined by department designations and geographical separation.
3. Subcultures include the **core values** (the primary, or dominant, values that are accepted throughout the organization) of the dominant culture, plus additional values unique to members of the subculture.

D. The Source of Culture

The original source of an organization's culture is usually a reflection of the vision or mission of the organization's founders. It results from the interaction between the founders' biases and assumptions and what the first employees subsequently learned from their own experiences.

E. How an Organization's Culture Continues

1. Once a culture is in place, practices help maintain it. For example, hiring practices reflect the culture in terms of fit.
2. Actions of top executives impact the organization's culture as actions filter down through the organization.
3. Employees adapt to an organization's culture through **socialization**—where new employees learn the organization's way of doing things.
4. **Exhibit 2-4** summarizes how an organization's culture is established and maintained.

F. How Employees Learn Culture

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Culture is transmitted principally through stories, rituals, material symbols, and language.

1. Organizational stories are one way that employees learn the culture. These stories typically involve a narrative of significant events or people.
2. Rituals are repetitive sequences of activities that express and reinforce the key values of the organization, what goals are most important, which people are important, and which are expendable.
3. The use of material symbols is another way in which employees learn the culture, learn the degree of equality desired by top management, and find out who is important and the kind of behaviour that is expected and appropriate.
4. Finally, language is often used to identify members of a culture. Learning this language indicates members' willingness to accept and preserve the culture. This special lingo acts as a common denominator that unites members of a given culture.

G. How Culture Affects Managers.

Because the organizational culture establishes constraints on what managers can and cannot do, it is particularly relevant.

1. The link between corporate values and managerial behaviour is fairly straightforward.
2. The culture conveys to managers what is appropriate behaviour.
3. An organization's culture, particularly a strong one, constrains a manager's decision-making options in all managerial functions. (See **Exhibit 2-5**.)

3. CURRENT ORGANIZATIONAL CULTURE ISSUES FACING MANAGERS.

Four current cultural issues managers should consider:

A. Creating an Ethical Culture

1. Content and strength of an organization's culture influence its ethical climate and ethical behaviour of its members.
2. A strong organizational culture will exert more influence on employees than a weak one.
3. An organizational culture most likely to shape high ethical standards is one that is big in risk tolerance, low to moderate in aggressiveness, and focuses on means as well as outcomes.

B. Creating an Innovative Culture

This is a good place to connect the discussion with the 3M vignettes and to reference the need to build an adaptive culture.

1. What does an innovative culture look like? Swedish researcher Goran Ekvall provides these characteristics:
   a. Challenge and involvement
   b. Freedom
   c. Trust and openness
   d. Idea time
   e. Playfulness/humour
   f. Conflict resolution
   g. Debates
   h. Risk-taking

C. Creating a Customer-Responsive Culture

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1. Research shows the following six characteristics that are routinely present:
   a. Outgoing and friendly employees
   b. Few rigid rules, procedures, and regulations
   c. Widespread use of empowerment
   d. Good listening skills
   e. Role clarity
   f. Employees attentive to customer needs

D. Creating a Culture that Supports Diversity
1. Today's organizations are characterized by many types of diversity including: gender, race, age, and personality characteristics.
2. For managers, it is important to recognize the impact that homogeneous vs. a heterogeneous workforce impacts the culture of the organization.
3. Which culture is best for improving creative solutions and morale?

4. THE ORGANIZATIONAL ENVIRONMENT

There are forces in the environment that play a major role in shaping manager's actions.

A. The External Environment.

The **external environment** refers to forces and institutions outside the organization that potentially affect an organization's performance and is made up of three components (See **Exhibit 2-6.**)

1. The **specific environment** includes those forces that have a direct and immediate impact on managers' decisions and actions and are directly relevant to the achievement of the organization's goals.
   a. The specific environment is unique and changes with conditions.
   b. The forces that make up the specific environment include, customers, suppliers, competitors, and pressure groups.
      1) *Customers* are the reasons that organizations exist, as they absorb the outputs. Customers represent potential uncertainty, particularly if their tastes and desires change.
      2) *Suppliers* include firms that provide materials and equipment as well as providers of financial and labour inputs. Managers seek to ensure a steady flow of the needed materials, equipment, financial, and labour inputs at the lowest possible price.
      3) *Competitors* cannot be ignored, as they are an important environmental force to monitor and respond to. Most organizations have one or more competitors.
      4) *Public pressure groups* may attempt to influence the actions of organizations. Changes in social and political movements influence the power that these pressure groups have on organizations.
2. The **general environment** includes the broad economic, legal-political, socio-cultural, demographic and technological conditions that *may* affect the organization.

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a. Economic conditions include interest rates, inflation rates, changes in disposable income, stock market fluctuations, and the general business cycle, among other things.
b. Legal-Political Conditions include the general political stability of countries in which an organization does business and the specific attitudes that elected officials have toward business. Federal, provincial, and local governments can influence what organizations can and cannot do. Some examples of legislation that affects what organizations can do include:
    1) The Canadian Human Rights Act makes it illegal for any employer or provider of service that falls within federal jurisdiction to discriminate on the following grounds: race, national or ethnic origin, colour, religion, age, sex (including pregnancy and childbirth), marital status, family status, mental or physical disability (including previous or present drug or alcohol dependence), pardoned conviction, or sexual orientation.
    2) Canada's Employment Equity Act of 1995 protects several categories of employees from employment barriers: Aboriginal peoples (whether First Nation, Inuit, or Metis); persons with disabilities; members of visible minorities (nonCaucasian in race or nonwhite in colour); and women. This legislation aims to ensure that members of these four groups are treated equitably.
    3) The Competition Act of 1986 created the Bureau of Competition Policy to maintain and encourage competition in Canada.
    4) To protect farmers, the Canadian government has created marketing boards that regulate the pricing and production of such things as dairy and eggs.
c. Socio-cultural conditions include the changing expectations of society. Societal values, customs, and tastes can change, and managers must be aware of these changes.
d. Demographic conditions, including physical characteristics of a population, such as gender, age, level of education, geographic location, income and family composition, can change, and managers must adapt to these changes.
e. Technological changes impact the ways that organizations are structured and the way that managers manage.

B. How the Organizational Environment Affects Managers
Environments are not all the same. They differ in the amount of **environmental uncertainty**, which is defined as the degree of change and complexity in an organization's environment. (See **Exhibit 2-7**.)
1. Degree of change is measured as dynamic or complex. If the components in an organization's environment change frequently, it is a dynamic environment. If change is minimal, the environment is called a stable one.

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2. The other dimension of uncertainty relates to the degree of **environmental complexity**, which is defined as the number of components in an organization's environment and the extent of the organization's knowledge about those components.
3. If the number of components is minimal and there is minimal need for sophisticated knowledge, the environment is classified as simple. If there are a number of components, they are not similar, and there is a high need for sophisticated knowledge, the environment is complex.
4. Because uncertainty is a threat to organizational effectiveness, managers try to minimize it
5. The more obvious and secure an organization's relationships become with external stakeholders, the more influence managers will have over organizational controls.
   a. **Stakeholders** are any constituencies in the organization's external environment that are affected by, or have a vested interest in, the organization's decisions and actions. (See **Exhibit 2-8** for an identification of some of the most common ones.)
   b. Stakeholder relationship management is important for two reasons:
      1) It can lead to improved predictability of environmental changes, more successful innovation, greater degrees of trust, and greater organizational flexibility to reduce the impact of change.
      2) It is the "right" thing to do, because organizations are dependent on external stakeholders as sources of inputs and outlets for outputs and should be considered when making and implementing decisions.

ANSWERS TO REVIEW AND DISCUSSION QUESTIONS

1. *Contrast the actions of managers according to the omnipotent and symbolic views.*
The omnipotent view of management believes that a manager's actions are directly responsible for an organization's success or failure. On the other hand, the symbolic view of management is that a manager's actions are not as relevant to an organization's success and failure – external forces play a greater role.

2. *What are the seven dimensions of organizational culture?*
The seven dimensions of organizational culture include; attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, stability, and innovation and risk taking.

3. *What is the impact of a strong culture on organizations and managers? Can a strong culture be a liability to an organization? Explain.*

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Strong cultures have a greater influence on employees and are associated with high organizational performance. A culture in which the organization exits (or the organization's culture) could be a liability in extreme cases. In a global environment one can see where this could have an impact. For example, if the society (and organizational cultures) discriminates against certain ethnic groups or on the basis of gender or engages in exploitation of workers, this could create a backlash from consumers in other nations (see for example Reebok and Nike's troubles regarding manufacturing in emerging nations).

4. *What is the source of an organization's culture? How does organizational culture continue?*
   The original source of an organization's culture usually reflects the vision or mission of the organization's founders. This, in turn, strongly influences the criteria used in hiring, the actions of top managers, and the socialization processes for new employees.

5. *How do employees learn an organization's culture?*
   Culture is transmitted to employees through stories, rituals, material symbols and language.

6. *What are the characteristics of an ethical culture, an innovative culture, an adaptable culture, a customer-responsive culture and a diversity-supportive culture?*
   An ethical culture is one that is high in risk tolerance, low to moderate in aggressiveness, and focuses on means as well as outcomes. An innovative or adaptive culture is characterized by challenge and involvement, freedom, trust and openness, idea time, playfulness/humour, conflict resolution, debates, and risk-taking. A customer-responsive culture is one that has outgoing and friendly employees, few rigid rules, widespread use of empowerment, good listening skills, role clarity, and employees are attentive to customer needs. In a diversity-supportive culture, managers show that they value diversity through their decisions and actions and look for ways to reinforce employee behaviours that exemplify inclusiveness.

7. *What forces influence the specific and the general environments? Describe an effective culture for (a) a relatively stable environment and (b) a dynamic environment. Justify your choices.*
   The specific environment is influenced by; customers, suppliers, competitors, and pressure groups. The general environment includes the broad economic, legal-political, socio-cultural, demographic, and technological conditions that may affect the organization. An effective culture for a relatively stable environment would likely emphasize outcomes such as quality and productivity and have strong attention to detail. It wouldn't need to have high levels of innovation and risk taking or aggressiveness. On the other hand, an effective culture for a dynamic environment would likely emphasize aggressiveness, innovation and risk taking, and team orientation. To stay on top of the continual environmental changes, this organization's culture would need to celebrate work behaviours that kept the organization on top.

8. *"Businesses are built on relationships." What do you think this statement means? What are the implications for managing the external organizational environment?*

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Organizations depend on their environment and their stakeholders as a source of inputs and a recipient of outputs. Good relationships can lead to organizational outcomes such as improved predictability of environmental changes, more successful innovations, greater degrees of trust among stakeholders, and greater flexibility in order to act to reduce the impact of change. Also, relationship management and the maintaining of good relationships have been proven by many researchers to have an effect on organizational performance. The high-performing companies tend to consider the interests of all major stakeholder groups as they make decisions.

ETHICS DILEMMA TEACHING SUGGESTIONS

In many ways, technology has made all of us more productive. However, ethical issues do arise in how and when technology is used. Take the sports arena. All kinds of technologically advanced sports equipment (swimsuits, golf clubs, ski suits, etc.) have been developed that can sometimes give competitors/players an edge over their opponents. We saw it in swim meets at the summer Olympics and on the ski slopes at the winter Olympics. What do you think? Is this an ethical use of technology? What if your school (or country) were competing for a championship and couldn't afford to outfit athletes in such equipment and it affected your ability to compete? Would that make a difference? What ethical guidelines might you suggest for such situations?

Teaching Suggestions:

This exercise can be used as a class discussion or students can be placed in small groups to discuss. In either situation, ask students to consider whether it seems fair that a school's ability to compete should be tied to their ability to afford the best equipment. If your school had the best equipment, and won a competition, would that diminish its achievement? How would you feel if the fact that your school had the best equipment, while others did not, was made public?

WORKING TOGETHER— TEAM-BASED EXERCISE TEACHING SUGGESTIONS

Developing Your Environmental Scanning Skill

The following suggestions are activities you can do to practice and reinforce the behaviours associated with scanning the environment.

1. Select an organization with which you're familiar either as an employee or perhaps as a frequent customer. Assume you're the top manager in this organization. What types of information from environmental scanning do you think would be important to you? Where would you find this information? Now assume you're a first-level manager in this organization. Would the types of information you would get from environmental scanning change? Explain.

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2. Assume you're a regional manager for a large bookstore chain. Using the internet, what types of environmental and competitive information are you able to identify? For each source, what information did you find that might help you do your job better?

Teaching Suggestions:

1. *Decide which type of environmental information is important to your work.* Perhaps you need to know changes in customers' needs and desires, or perhaps you need to know what your competitors are doing. Once you know the type of information you'd like to have, you can look at the best ways to get that information.

2. *Regularly read and monitor pertinent information.* There is no scarcity of information to scan, but what you need to do is read pertinent information sources. How do you know information sources are pertinent? They're pertinent if they provide you with the information you identified as important.

3. *Incorporate the information you get from your environmental scanning into your decisions and actions.* Unless you use the information you're getting, you're wasting your time getting it. Also, the more you use information from your environmental scanning, the more likely it is that you'll want to continue to invest time and other resources into gathering it. You'll see that this information is important to your ability to manage effectively and efficiently.

4. *Regularly review your environmental scanning activities.* If you're spending too much time getting nonuseful information, or if you're not using the pertinent information you've gathered, you need to make some adjustments.

5. *Encourage your subordinates to be alert to information that is important.* Your employees can be your "eyes and ears" as well. Emphasize to them the importance of gathering and sharing information that may affect your work unit's performance.

Assessing the Organization's Environment

All organizations are informed by the realities of their internal and external environments, yet the forces in their specific and general environments differ. Form a small group with three or four other class members and choose two organizations in different industries. Describe the specific and general environmental forces that affect each organization. How are your descriptions different for the two organizations? How are they similar? Now, using the same two organizations, see if you can identify their important stakeholders. Also, indicate whether these stakeholders are critical for the organization and why they are or are not. As a group, be prepared to share your information with the class and to explain your choices.

Teaching Suggestions:

1. To assist students in selecting two companies, the following examples are provided. Encourage them to explore others as well.

    - Innovative Cultures
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Apple - http://www.apple.com/

- Automotive
  Ford—www.ford.com
  General Motors—www.gm.com
- Athletic Wear
  Nike—www.nike.com
  Reebok—www.reebok.com
- Beverages
  Coca-Cola—www.cocacola.com
  PepsiCo—www.pepsico.com
- Electronics
  Panasonic—www.panasonic.com
  Sony—www.sony.com
- Golf Equipment
  Maxfli—www.maxfli.com
  Titleist—www.titleist.com

2. Have students use the form below to identify the environmental factors for the two companies that they have selected.

Task Environmental Force/Factor	Company 1.	Company 2
Customers		
Competitors		
Suppliers		
Stakeholders		
Government		
Pressure Groups		
General Environmental Force/Factor	**Company 1**	**Company 2**
Economic Conditions		
Legal-Political Conditions		

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Socio-cultural		
Technological Conditions		

Learning to Be a Manager

Pick two organizations you interact with frequently (as an employee or as a customer) and assess their cultures by looking at the following aspects:

- ***Physical Design*** (buildings, furnishings, parking lot, office or store design): Where are they located and why? Where do customers and employees park? What does the office/store layout look like? What activities are encouraged or discouraged by the physical layout? What do these things say about what the organization values?
- ***Symbols*** (logos, dress codes, slogans, philosophy statements): What values are highlighted? Where are logos displayed? Whose needs are emphasized? What concepts are emphasized? What actions are prohibited? Which are encouraged? Are any artifacts prominently displayed? What do those artifacts symbolize? What do these things say about what the organization values?
- ***Words*** (stories, language, job titles): What stories are repeated? How are employees addressed? What do job titles say about the organization? Are jokes/anecdotes used in conversation? What do these things say about what the organization values?
- ***Policies and Activities*** (rituals, ceremonies, financial rewards, policies for how customers or employees are treated; note that you may be able to assess these only if you're an employee or know the organization well): What activities are rewarded? Ignored? What kinds of people succeed? Fail? What rituals are important? Why? What events get commemorated? Why? What do these things say about what the organization values?

Teaching Suggestions:

1. Students may also want to choose organizations where they know someone who works there to be able to gain access to more detail as needed.

2. Suggest to students that they speak to someone in the human resources department of the organizations that they choose to discuss the degree to which the organizations' cultures have been aided by their physical design, symbols, words, policies and activities.

CASE APPLICATION 1 – ANSWER SUGGESTIONS

Making You Say Wow

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1. *What is the culture like at Ritz-Carlton Hotels? Why do you think this type of culture might be important to a luxury hotel? What might be the drawbacks of such a culture?*
For students, the first dimension of culture that should immediately stand out is "attention to detail." A class discussion could begin on how this quality has created a long standing image of the Ritz-Carlton and how this value aided its growth and place in the market. However, while attention to detail is important, it will be necessary to shift gears and focus on Ritz-Carlton's new set of values which is based on outcome orientation. The idea of not scripting interactions between employees and guests is an important aspect of providing an exceptionally high level of performance. Address the idea of how a script may limit customer service and what impact, positive or negative the new approach may be for employees.

2. *What challenges do you think the company faced in changing the culture? What is The Ritz-Carlton doing to maintain this new culture?*
On paper, it sounds so easy. "Things to do today, change the organizational culture." For students who do not much experience establishing company policy it may difficult to appreciate the difficulty of actually getting employees to change. Changing a culture is much more difficult than changing rules and procedures. Once the changes are in place, it is then up to the management of Ritz-Carlton to maintain them. Have students think of several ways to reinforce a culture aimed at 'wowing' customers. Answers may include prizes or other incentives.

3. *What kind of person do you think would be happiest and most successful in this culture? How do you think new employees "learn" the culture?*
For the Ritz-Carlton, the challenge will be to find employees who are naturally good natured and want to make other people happy. Recruiting the right employees is an important element of reinforcing this new value. Ask students how they would go about finding employees with this quality. Are there some places of the country where a smile comes more naturally? Are there any occupations that Ritz-Carlton may draw from where employees are more relaxed and authentic sounding?
The second part of the question could create a new line of discussion. Learning a script is easy. Learning how to do be 'natural' and provide a unique level of service for a broad range of request is difficult. Ask students how they would teach this new culture to employees. Will they learn it in a classroom? How much will have to learned on the job? What part will role models play? How much time will it take for new employees to learn to wow the customer?

4. *What could other organizations learn from The Ritz-Carlton about the importance of organizational culture?*
The Ritz-Carlton has always been an innovative company. They have been an outstanding example of one of the first companies to incorporate participative decision making among their service employees. Discuss with students the potential of leaving organizational culture to develop by chance. How is the Ritz-Carlton's approach of actively instilling the company's culture a positive force inside the organization?

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CASE APPLICATION 2 – ANSWER SUGGESTIONS

A Perfect Response to an Imperfect Storm

1. *Using Exhibit 2-2, describe the culture at Mississippi Power. Why do you think this type of culture might be important to an electric power company? On the other hand, what might be the drawbacks of such a culture?*
Using the dimensions listed in Exhibit 2-2, the culture at Mississippi Power can be described as having a strong people and team orientation, high attention to detail, an outcome orientation and a culture that supports innovation and risk taking. The organization's culture allowed the company to respond efficiently and effectively in the face of a terrible disaster, and for a power company, this is undoubtedly of great importance. In terms of drawbacks, this type of culture supports a decentralized decision making approach, which sometimes is not the most effective management structure as it can sometimes produce inconsistent results.

2. *Describe how you think new employees at Mississippi Power "learn" the company's culture.*
The use of symbols, rituals and stories are most likely part of the socialization process for new employees in this company. The use of employee identification tags that bear the organization's values provide a constant reminder and symbol of what the company is trying to instill in employees. The use of Steven Covey's books and philosophy in the organization's training systems is a ritual that helps to support the corporate culture. As well, there are employees and managers who will undoubtedly share stories and accounts of how the organization responded to the Katrina disaster to new employees as part of the formal and informal socialization process.

3. *What stakeholders might be important to Mississippi Power? What concerns might each of these stakeholders have? Would these stakeholders change if there was a disaster to which the company had to respond?*
The stakeholders that would be most important to Mississippi Power include: customers, employees, shareholders, and the government. Customers would be concerned about the quality of services provided. Employees would be interested in working conditions and may also be customers themselves. Shareholders would be primarily focused on the financial position of the company in terms of earnings. The government would also be concerned about how the company was able to attend to consumer needs and in the case of an emergency, how efficiently and effectively the company would be able to react.

4. *What could other organizations learn from Mississippi Power about the importance of organizational culture?*
Other organizations that are subject to potential disasters or that must be able to respond quickly to external events and/or situations may appreciate the fact that the organizational culture was strong and was able to provide employees with the authority to make decisions and the ability to react quickly when the situation demands it. As well, the fact that the organization had processes and systems in place to help establish the culture is something that other organizations can learn from.

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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 specific and general organizational environments.

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The Manager: Omnipotent or Symbolic?

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?

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



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The Organization's Culture

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

Implications of an Organizational Culture

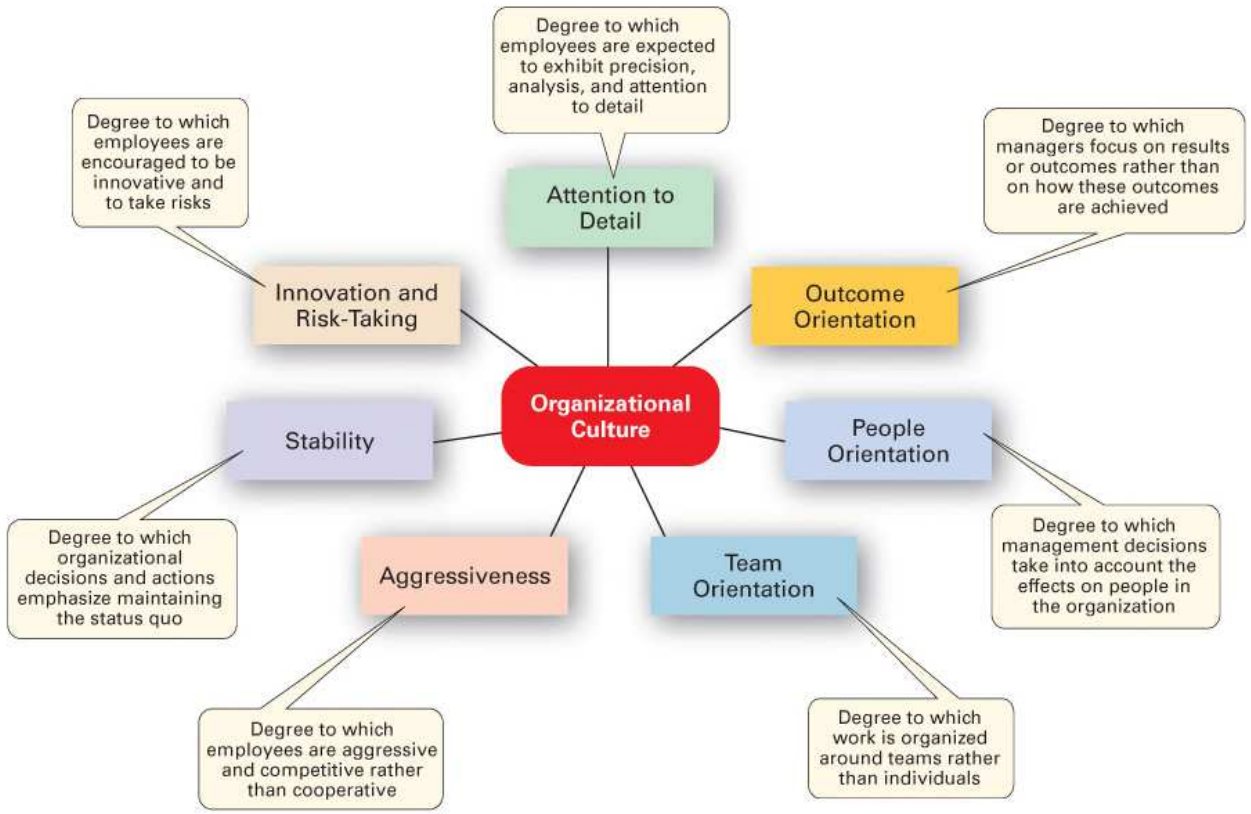
- *Culture* is a **perception**
- *Culture* is **shared**
- *Culture* is a **descriptive term**

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Exhibit 2-2 Dimensions of Organizational Culture

Exhibit 2-2

Dimensions of Organizational Culture



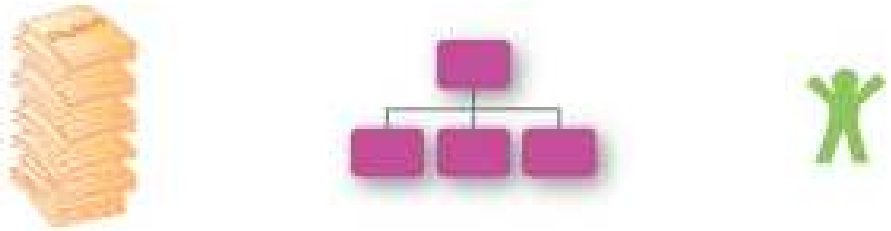
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Exhibit 2-3 Contrasting Organizational Cultures

Exhibit 2-3

Contrasting Organizational Cultures

Organization A



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.

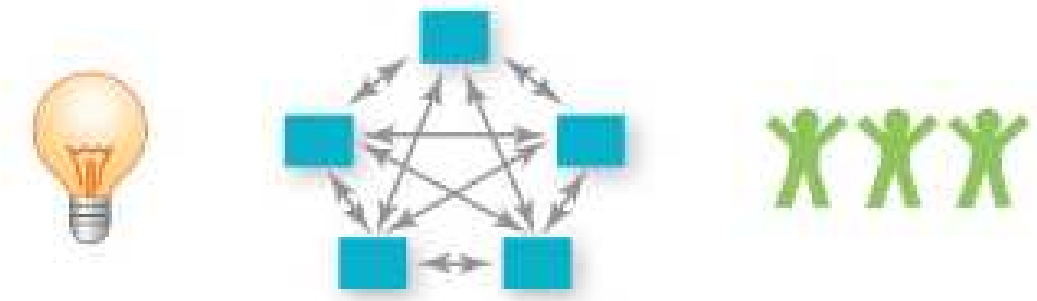
Work activities are designed around individuals. There are distinct departments and lines of authority, and employees are expected to minimize formal contact with other employees outside their functional area or line of command. Performance evaluations and rewards emphasize individual effort, although 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

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

Strong Cultures:

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

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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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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

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

Subcultures:

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

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

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Where Culture Comes From and how It continues:

- **Vision and mission of** the organization's **founder**
- **Is passed and modified** based on macroenvironmental factors.

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The Organization's Culture

How an Organization's Culture is Established and Maintained:

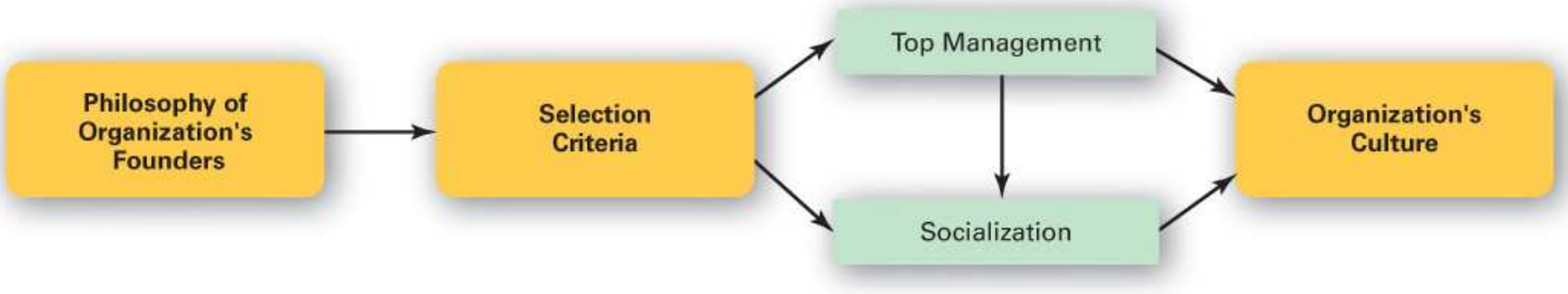
- **Recruitment** of employees who "fit"
- Actions of **top management**
- **Socialization** of new employees to help them adapt to the culture

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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



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The Organization's Cultures

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

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

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

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

Creating an Innovative Culture:

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

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Current Organizational Culture Issues Facing Managers

More on Creating an Innovative Culture…..

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

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Current Organizational Culture Issues Facing Managers

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

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

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

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

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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Exhibit 2-6 The External Environment

Exhibit 2-6

The External Environment



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The Organizational Environment

The Specific Environment:

Includes those external forces that have a direct and immediate impact on managers' decisions and actions and are directly relevant to the achievement of the organization's goals.

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The Organizational Environment

The Specific Environment

The main forces which make up the specific environment include:

- Customers
- Suppliers
- Competitors
- Pressure Groups

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The Organizational Environment

The General Environment

Includes the broad economic, legal–political, socio-cultural, demographic, and technological conditions that *may* affect the organization.

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The Organizational Environment

Economic Conditions:

Include interest rates, inflation rates, changes in disposable income, stock market fluctuations, and the general business cycle, among other things.

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The Organizational Environment

Legal-Political Conditions:

Include the general political stability of countries in which an organization does business and the specific attitudes that elected officials have toward business

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The Organizational Environment

Legal-Political Conditions:

Federal and provincial governments can influence what organizations can and cannot do. Some examples of legislation include:

- Canadian Human Rights Act
- Canada's Employment Equity Act
- Competition Act
- Marketing Boards

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The Organizational Environment

Socio-Cultural conditions:

- Include the changing expectations of society.

Demographic conditions:

- Include physical characteristics of a population (gender, age, level of education, geographic location, income and family composition).

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Technological conditions:

- Include the changes that are occurring in technology.

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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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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 2-7 Environmental Uncertainty Matrix

Exhibit 2-7

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 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

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

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

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Exhibit 2-8 Organizational Stakeholders

Exhibit 2-8

Organizational Stakeholders



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Summary and Implications

Compare and contrast the actions of managers according to the omnipotent and symbolic views.

The omnipotent view of management suggests that managers are directly responsible for an organization's success or failure. The symbolic view of management argues that much of an organization's success or failure is due to external forces outside managers' control.

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Summary and Implications

Discuss the characteristics and importance of organizational culture.

A strong culture supports the goals of the organization making it easier for managers to achieve goals. A weak culture can make things more difficult for managers.

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Summary and Implications

Describe what kinds of cultures managers can create.

Ethical, innovative, customer-responsive and diversity supportive cultures.

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Summary and Implications

Describe the features of the specific and general organizational environments.

The environment plays a major role in shaping managers' decisions and actions. Economic, legal–political, socio-cultural, demographic, and technological conditions affect the issues managers face in doing their job.

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