Organizational Culture and Environment

Chapter Three

The Manager: Omnipotent or Symbolic?

Omnipotent View of Management

➢ Managers are directly responsible for an organization's success or failure.

➢ The quality of the organization is determined by the quality of its managers.

➢ Managers are held most accountable for an organization's performance yet it is difficult to attribute good or poor performance directly to their influence on the organization.

The Manager: Omnipotent or Symbolic?

Symbolic View of Management

➢ Much of an organization's success or failure is due to external forces outside of managers' control.

➢ 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

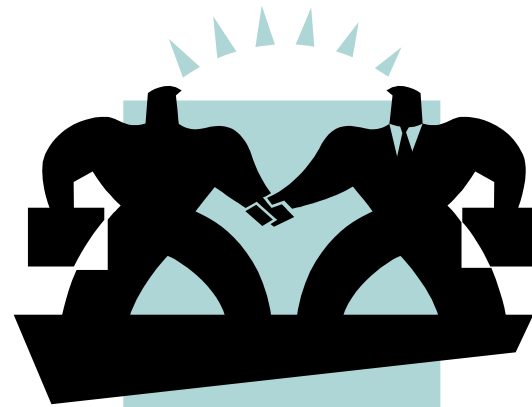➢ Managers symbolize control and influence through their action.

Parameters of Managerial Discretion

Organizational Environment → Managerial Discretion ← Organizational Culture

Exhibit 3.1

The Organization's Culture

Organizational Culture

➢ A system of shared meanings and common beliefs held by organizational members that determines, in a large degree, how they act towards each other.

➢ "The way we do things around here."

❖ Values, symbols, rituals, myths, and practices

➢ Implications:

❖ Culture is a perception.

❖ Culture is shared.

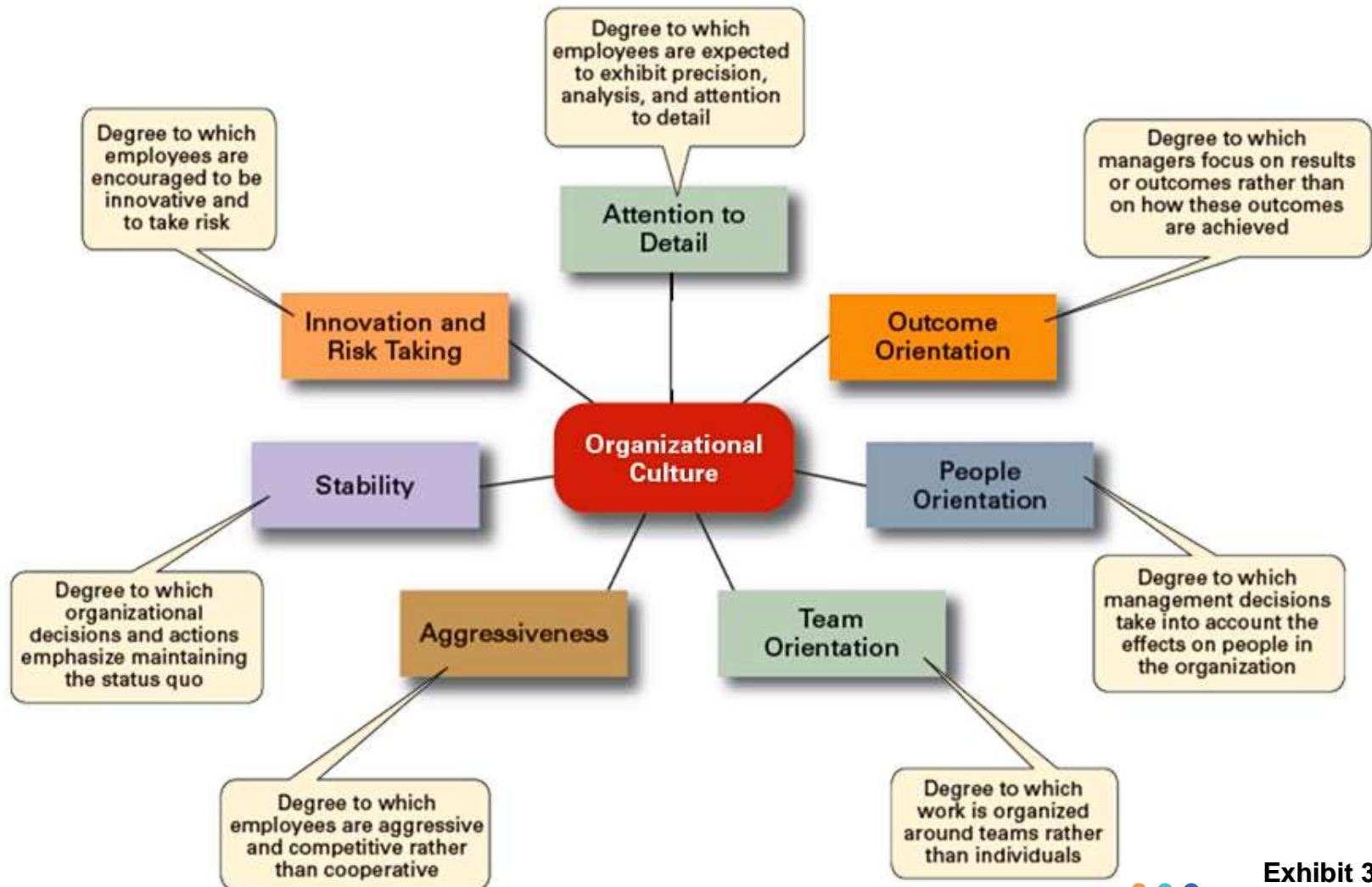❖ Culture is descriptive.

Dimensions of Organizational Culture

Degree to which employees are expected to exhibit precision, analysis, and attention to detail

Degree to which employees are encouraged to be innovative and to take risk

Degree to which managers focus on results or outcomes rather than on how these outcomes are achieved

Attention to Detail

Innovation and Risk Taking

Outcome Orientation

Organizational Culture

Stability

People Orientation

Degree to which organizational decisions and actions emphasize maintaining the status quo

Aggressiveness

Team Orientation

Degree to which management decisions take into account the effects on people in the organization

Degree to which employees are aggressive and competitive rather than cooperative

Degree to which work is organized around teams rather than individuals

Exhibit 3.2

3–6

Strong versus Weak Cultures

Strong Cultures

➢ Are cultures in which key values are deeply held and widely held.

➢ Have a strong influence on organizational members.

Factors Influencing the Strength of Culture

➢ Size of the organization

➢ Age of the organization

➢ Rate of employee turnover

➢ Strength of the original culture

➢ Clarity of cultural values and beliefs

Benefits of a Strong Culture

Creates a stronger employee commitment to the organization.

Aids in the recruitment and socialization of new employees.

Fosters higher organizational performance by instilling and promoting employee initiative.
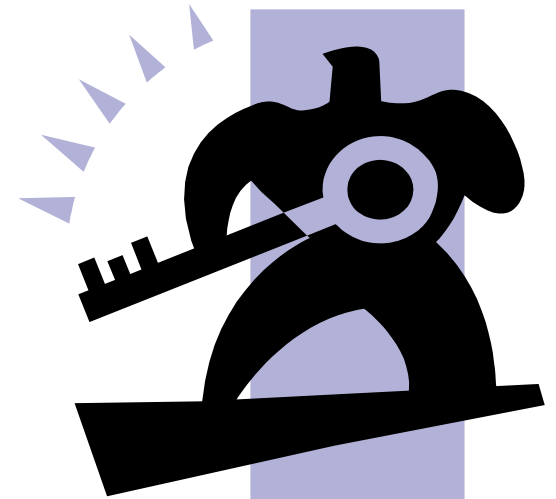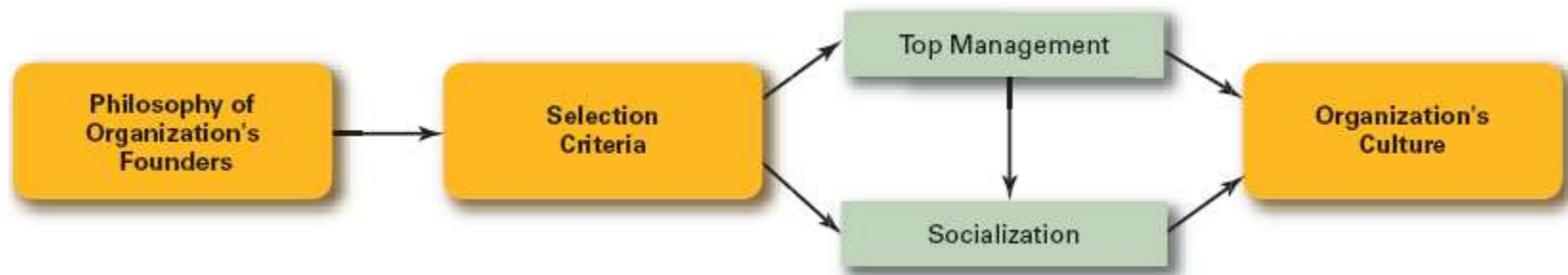
Organizational Culture

Sources of Organizational Culture

- The organization's founder
  - Vision and mission
- Past practices of the organization
  - The way things have been done
- The behavior of top management

Continuation of the Organizational Culture

- Recruitment of like-minded employees who "fit"
- Socialization of new employees to help them adapt to the culture

How an Organization's Culture Is Established and Maintained


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Philosophy of          Selection          Top Management          Organization's
Organization's   →     Criteria      ↗                      ↘     Culture
Founders                            ↘         ↓              ↗
                                      Socialization
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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

Material Symbols

➢ Physical assets distinguishing the organization

Language

➢ Acronyms and jargon of terms, phrases, and word meanings specific to an organization

How Culture Affects Managers

Cultural Constraints on 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

Simple rule for getting ahead in an organization:

Find out what the organization rewards and do those things.

Suggestions for Managers: Creating a More Ethical Culture

- Be a *visible role model*.

- Communicate *ethical expectations*.

- Provide *ethics training*.

- Visibly *reward ethical acts and punish unethical ones*.

- Provide *protective mechanisms* so employees can discuss ethical dilemmas and report unethical behavior without fear.

Exhibit 3.6

Defining the External Environment

External Environment

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

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.

The External Environment

Exhibit 3.8

3–15

How the Environment Affects Managers

Environmental Uncertainty

➢ The extent to which managers have knowledge of and are able to predict change their organization's external environment is affected by:

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

❖ **Degree of change in environmental components:** how dynamic or stable the external environment is.

Stakeholder Relationships

Stakeholders

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

Why Manage Stakeholder Relationships?

➢ It can lead to improved organizational performance.

➢ It's the "right" thing to do given the interdependence of the organization and its external stakeholders.

Managing Stakeholder Relationships

1. Identify the organization's external stakeholders.

2. Determine the particular interests and concerns of the external stakeholders.

3. Decide how critical each external stakeholder is to the organization.

4. Determine how to manage each individual external stakeholder relationship.

Organizational Stakeholders

Exhibit 3.11

Managing in a Global Environment

Chapter Four

The Global Marketplace

Opportunities and Challenges

- ➢ Coping with the sudden appearance of new competitors
- ➢ Acknowledging cultural, political, and economic differences
- ➢ Dealing with increased uncertainty, fear, and anxiety
- ➢ Adapting to changes in the global environment
- ➢ Avoiding parochialism

What's Your Global Perspective?

Parochialism

> ➢ Is viewing the world solely through its own eyes and perspectives.

> ➢ Is not recognizing that others have different ways of living and working.

> ➢ Is a significant obstacle for managers working in a global business world.

> ➢ Is falling into the trap of ignoring others' values and customs and rigidly applying an attitude of "ours is better than theirs" to foreign cultures.

Adopting a Global Perspective

Ethnocentric Attitude

➢ The parochialistic belief that the best work approaches and practices are those of the **home** country.

Polycentric Attitude

➢ The view that the managers in the **host** country know the best work approaches and practices for running their business.

Geocentric Attitude

➢ A **world-oriented** view that focuses on using the best approaches and people from around the globe.

Exhibit 4–1   Key Information About Three Global Attitudes

	Ethnocentric	Polycentric	Geocentric
Orientation	Home Country	Host Country	World
Advantages	• Simpler structure • More tightly controlled	• Extensive knowledge of foreign market and workplace • More support from host government • Committed local managers with high morale	• Forces understanding of global issues • Balanced local and global objectives • Best people and work approaches used regardless of origin
Drawbacks	• More ineffective management • Inflexibility • Social and political backlash	• Duplication of work • Reduced efficiency • Difficult to maintain global objectives because of intense focus on local traditions	• Difficult to achieve • Managers must have both local and global knowledge

Different Types of International Organizations

Multinational Corporation (MNC)

➤ Maintains operations in multiple countries.

Multidomestic Corporation

➤ Is an MNC that decentralizes management and other decisions to the local country.

Global Company

➤ Is an MNC that centralizes its management and other decisions in the home country.

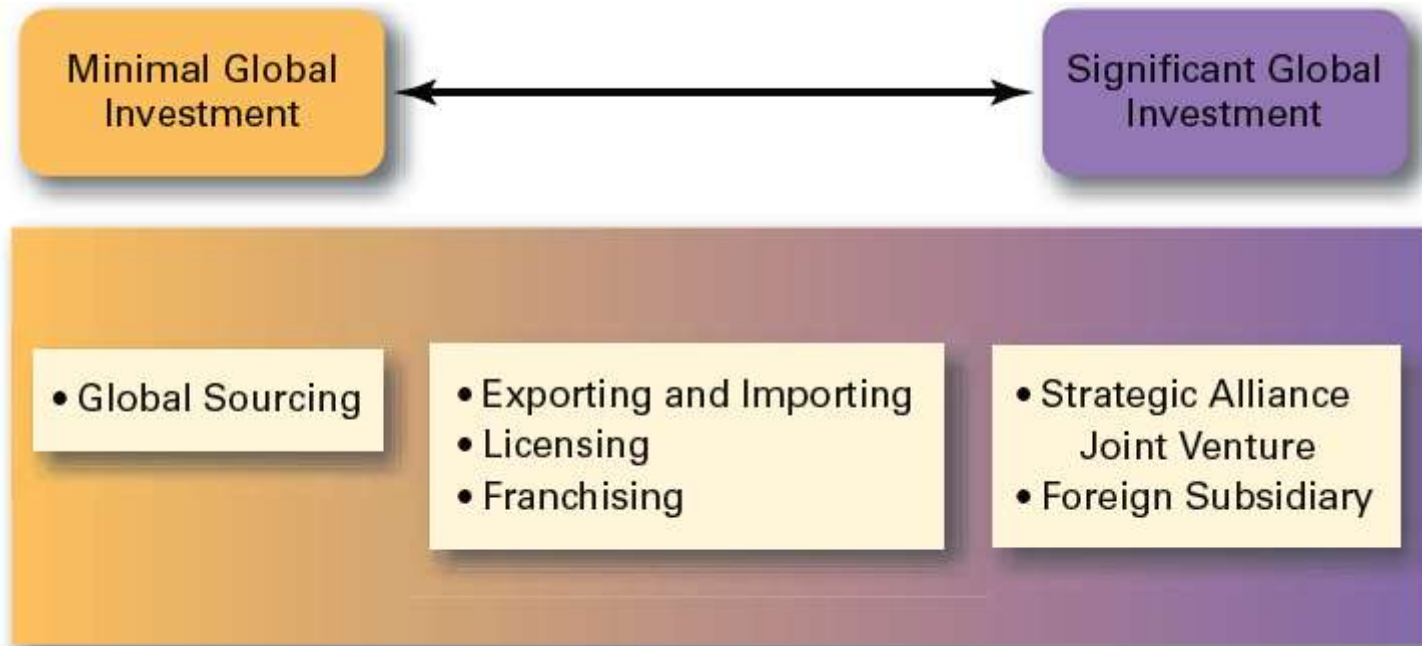# Different Types of International Organizations (cont'd)

Transnational Corporation (Borderless Organization)

➢ Is an MNC that has eliminated structural divisions that impose artificial geographic barriers and is organized along business lines that reflect a geocentric attitude.

Born Globals/International New Ventures (INVs)

➢ Commit resources upfront (material, people, financing) to doing business in more than one country.

Exhibit 4–5   How Organizations Go Global

Minimal Global Investment		Significant Global Investment
• Global Sourcing	• Exporting and Importing • Licensing • Franchising	• Strategic Alliance Joint Venture • Foreign Subsidiary

Other Forms of Globalization

Strategic Alliances

➢ Partnerships between and organization and a foreign company in which both share resources and knowledge in developing new products or building new production facilities.

Joint Venture

➢ A specific type of strategic alliance in which the partners agree to form a separate, independent organization for some business purpose.

Foreign Subsidiary

➢ Directly investing in a foreign country by setting up a separate and independent production facility or office.

Managing in A Global Environment

The Legal Environment

➢ Stability or instability of legal and political systems

  ❖ Legal procedures are established and followed

  ❖ Fair and honest elections held on a regular basis

➢ Differences in the laws of various nations

  ❖ Effects on business activities

  ❖ Effects on delivery of products and services

The Economic Environment

Economic Systems

➢ Market economy

  ❖ An economy in which resources are primarily owned and controlled by the private sector.

➢ Command economy

  ❖ An economy in which all economic decisions are planned by a central government.

Monetary and Financial Factors

➢ Currency exchange rates

➢ Inflation rates

➢ Diverse tax policies

The Cultural Environment

National Culture

➤ Is the values and attitudes shared by individuals from a specific country that shape their behavior and their beliefs about what is important.

➤ May have more influence on an organization than the organization culture.
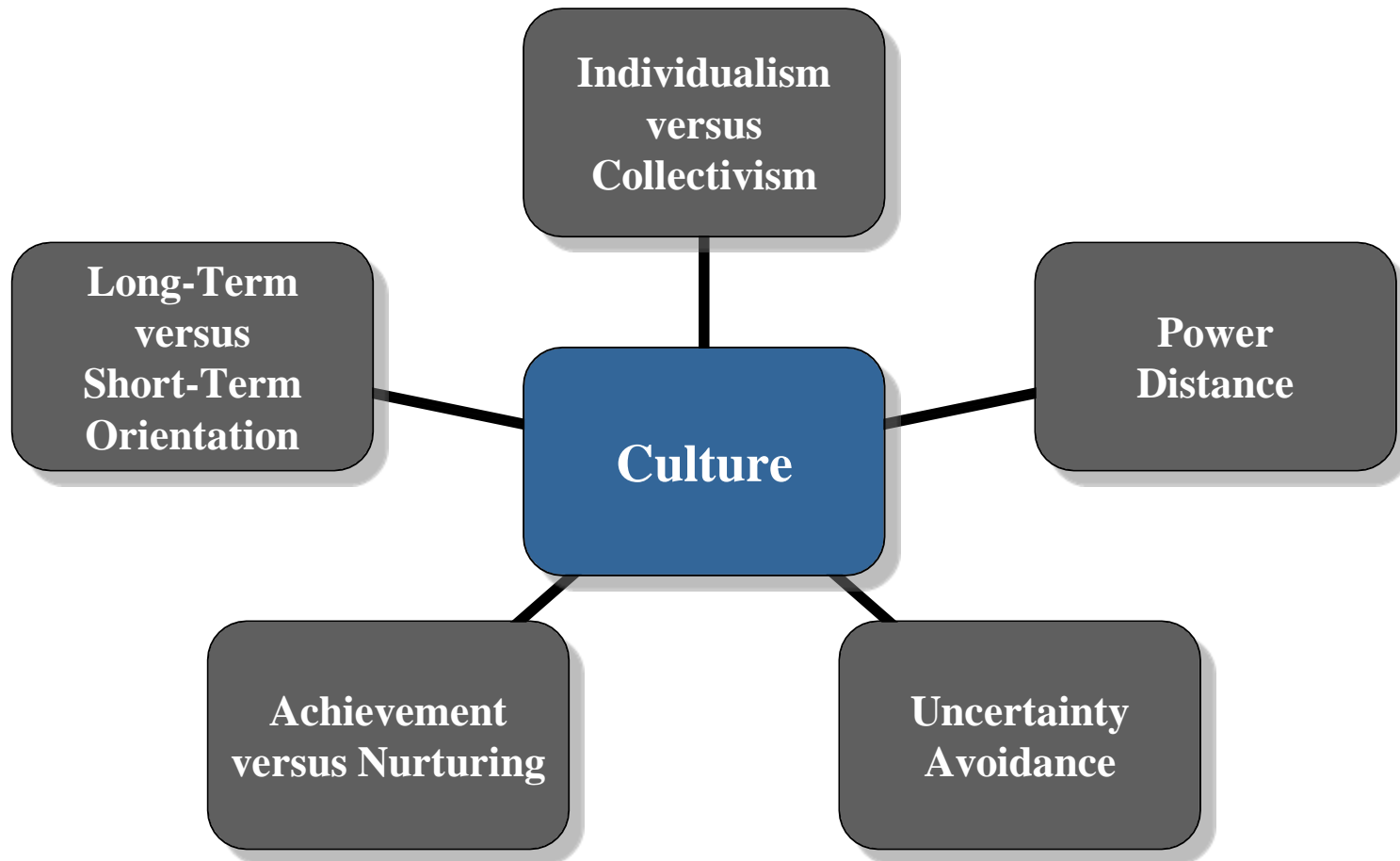
Hofstede's Framework for Assessing Cultures

- Individualism versus Collectivism
- Long-Term versus Short-Term Orientation
- Culture
- Power Distance
- Achievement versus Nurturing
- Uncertainty Avoidance

Exhibit 4–7 Examples of Hofstede's Cultural Dimensions

Country	Individualism/Collectivism	Power Distance	Uncertainty Avoidance	Achievement/Nurturing[a]
Australia	Individual	Small	Moderate	Strong
Canada	Individual	Moderate	Low	Moderate
England	Individual	Small	Moderate	Strong
France	Individual	Large	High	Weak
Greece	Collective	Large	High	Moderate
Italy	Individual	Moderate	High	Strong
Japan	Collective	Moderate	High	Strong
Mexico	Collective	Large	High	Strong
Singapore	Collective	Large	Low	Moderate
Sweden	Individual	Small	Low	Weak
United States	Individual	Small	Low	Strong
Venezuela	Collective	Large	High	Strong

[a]A weak achievement score is equivalent to high nurturing.

Exhibit 4–8   GLOBE Highlights

Dimension	Countries Rating Low	Countries Rating Moderate	Countries Rating High
Assertiveness	Sweden	Egypt	Spain
	New Zealand	Ireland	United States
	Switzerland	Philippines	Greece
Future orientation	Russia	Slovenia	Denmark
	Argentina	Egypt	Canada
	Poland	Ireland	Netherlands
Gender differentiation	Sweden	Italy	South Korea
	Denmark	Brazil	Egypt
	Slovenia	Argentina	Morocco
Uncertainty avoidance	Russia	Israel	Austria
	Hungary	United States	Denmark
	Bolivia	Mexico	Germany
Power distance	Denmark	England	Russia
	Netherlands	France	Spain
	South Africa	Brazil	Thailand
Individualism/collectivism*	Denmark	Hong Kong	Greece
	Singapore	United States	Hungary
	Japan	Egypt	Germany
In-group collectivism	Denmark	Japan	Egypt
	Sweden	Israel	China
	New Zealand	Qatar	Morocco
Performance orientation	Russia	Sweden	United States
	Argentina	Israel	Taiwan
	Greece	Spain	New Zealand
Humane orientation	Germany	Hong Kong	Indonesia
	Spain	Sweden	Egypt
	France	Taiwan	Malaysia

*A low score is synonymous with collectivism.

Thank You