

## Organizational Culture and Environment

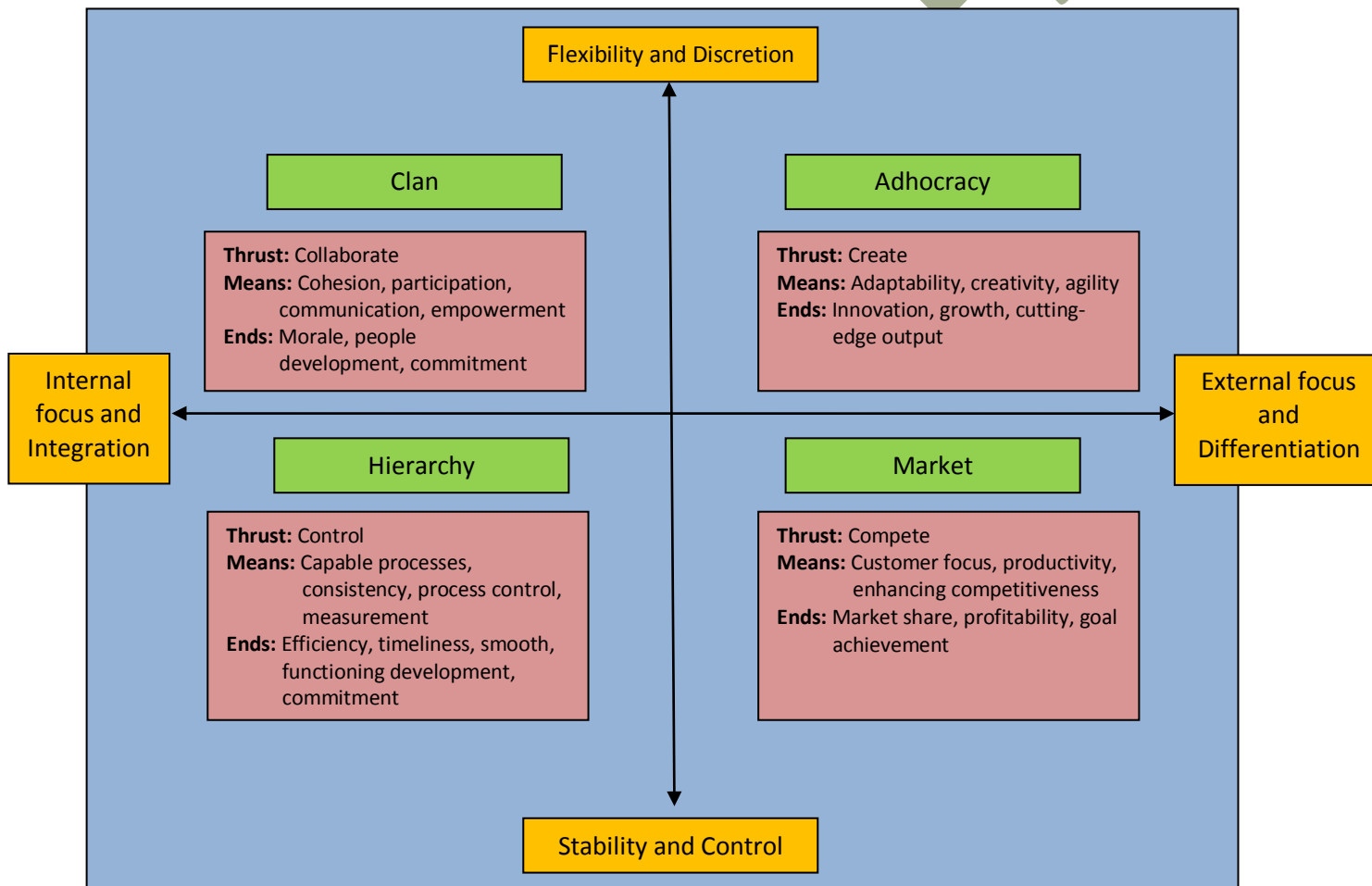
### Organizational Culture: The System of Shared Beliefs & Values

According to scholar Edgar Schein, organizational culture, sometimes called corporate culture, is a system of shared beliefs and values that develops within an organization and guides the behavior of its members.<sup>7</sup> This is the "social glue" that binds members of the organization together. Just as a human being has a personality fun-loving, warm, uptight, competitive, or whatever-so an organization has a "personality," too, and that is its culture.

Culture can vary considerably, with different organizations having differing emphases on risk taking, treatment of employees, teamwork, rules and regulations, conflict and criticism, and rewards. And the sources of these characteristics also vary. They may represent the strong views of the founders, of the reward systems that have been instituted, of the effects of competitors, and so on.

### Four Types of Organizational Culture: Clan, Adhocracy, Market, & Hierarchy

According to one common methodology known as the competing values framework, organizational cultures can be classified into four types: (1) clan, (2) adhocracy, (3) market, and (4) hierarchy



[Adapted from K. S. Cameron, R. E. Quinn, J. Degraff, and A. V. Thakor, *Competing Values Leadership* (Northampton, MA: Edward Elgar, 2006), p. 32.]

### I. Clan Culture: An Employee-Focused Culture Valuing Flexibility, Not Stability

A clan culture has an internal focus and values flexibility rather than stability and control. Like a family-type organization, it encourages collaboration among employees, striving to encourage cohesion through consensus and job satisfaction and to increase commitment through employee involvement. Clan organizations devote considerable resources to hiring and developing their employees, and they view customers as partners. Southwest Airlines is a good example of a company with a clan culture. So is online shoe seller Zappos, which encourages managers to spend 10%-20% of their off-work hours with employees.

## **2. Adhocracy Culture: A Risk-Taking Culture Valuing Flexibility**

Adhocracy culture has an external focus and values flexibility. This type of culture attempts to create innovative products by being adaptable, creative, and quick to respond to changes in the marketplace. Employees are encouraged to take risks and experiment with new ways of getting things done. Adhocracy cultures are well suited for start-up companies, those in industries undergoing constant change, and those in mature industries that are in need of innovation to enhance growth. W. L. Gore is an example of a company with an adhocracy culture. So is Google, which urges engineers to spend 20% of their time on personal projects. Cisco Systems, with its recently introduced unusual system of 48 management "councils," is also trying to become this kind of culture.

## **3. Market Culture: A Competitive Culture Valuing Profits Over Employee Satisfaction**

A market culture has a strong external focus and values stability and control. Because market cultures are focused on the external environment and driven by competition and a strong desire to deliver results, customers, productivity, and profits take precedence over employee development and satisfaction. Employees are expected to work hard, react fast, and deliver quality work on time; those who deliver results are rewarded. Kia Motors, which fires executives who don't meet their sales goals, is an example of a company with a very aggressive and competitive market culture.

## **4. Hierarchy Culture: A Structured Culture Valuing Stability & Effectiveness**

A hierarchy culture has an internal focus and values stability and control over flexibility. Companies with this kind of culture are apt to have a formalized, structured work environment aimed at achieving effectiveness through a variety of control mechanisms that measure efficiency, timeliness, and reliability in the creation and delivery of products. General Motors has been an example of a company with a hierarchical structure. So also is UPS, the delivery company.

## **The Importance of Culture**

Culture can powerfully shape an organization's long-term success. For example, a recent study summarized 25 years of research on the relationship between organizational culture and various measures of organizational effectiveness. Results revealed that companies with clan, adhocracy, and market cultures had significantly higher levels of employee job satisfaction, innovation, and quality of products and services. Organizations with market cultures also reported higher profits and financial growth.

### **1. It Gives Members an Organizational Identity**

At Southwest Airlines, for instance, top executives constantly reinforce the company's message that workers should be treated like customers, and they continually celebrate employees whose contributions go beyond the call of duty.

### **2. It Facilitates Collective Commitment Consider**

3M, one of whose corporate values is to be "a company that employees are proud to be part of." This collective commitment results in a turnover rate of less than 3% among salaried personnel. "I'm a 27-year 3Mer because, quite frankly, there's no reason to leave," says one manager. "I've had great opportunities to do different jobs and to grow a career. It's just a great company."

### **3. It Promotes Social-System Stability**

The more effectively conflict and change are managed within an organization and the more that employees perceive the work environment to be positive and reinforcing, the more stable the social system within the organization. At 3M, social stability is encouraged by promoting from within, by hiring capable college graduates in a timely manner, and by providing displaced workers 6 months to find new jobs.

### **4. It Shapes Behavior by Helping Employees Make Sense of Their Surroundings**

The culture helps employees understand why the organization does what it does and how it intends to accomplish its long-term goals. 3M sets expectations for innovation, for example, by having an internship and co-op program, which provides 30% of the company's new college hires.

## Strong Vs. Weak Cultures

1. It has become increasingly popular to differentiate between strong and weak cultures.
2. The argument is that strong cultures have a greater impact on employee behavior and are more directly related to reduce turnover.
3. A strong culture is characterized by the organization's core values being both intensely held and widely shared.
  - a) The more members who accept the core values and the greater their commitment to those values, the stronger the culture is.
  - b) A strong culture will have a greater influence on the behavior.
4. One specific result of a strong culture should be low employee turnover.
  - a) A strong culture demonstrates high agreement among members about what the organization stands for.

## Attributes of culture

These are very general characteristics that every organization would have to look into, otherwise the culture would seem incomplete. Although all these characteristics are at some level a part of every company, the importance and individual interpretation of each differs from business to business, thus making each business unique in its own way. There are 7 primary characteristics that belong to an organizational culture. They are listed below.

### **Innovation and Risk Taking:**

Risk and returns go hand in hand. Places where you take a risk (calculated risk of course!), the chances of returns are higher. Same goes for innovation. You could either be a follower or a pioneer. Pioneering has its share of risks, but at times it can also have a breakthrough outcome for the organization. Thus, innovation and risk taking is one of the main characteristics of organizational culture defining how much room the business allows for innovation.

### **Attention to Detail:**

Attention to detail defines how much importance a company allots to precision and detail in the workplace. This is also a universal value as the degree of attention the employees are expected to give is crucial to the success of any business. The management defines the degree of attention to be given to details.

### **Outcome Orientation:**

Some organizations pay more attention to results rather than processes. It is really the business model of each business that defines whether the focus should be on the outcome or the processes. This defines the outcome orientation of the business.

### **People Orientation:**

This is still one of the most contentious issues in organizational culture today. How much should be the management focus on the people? Some organizations are famous for being employee oriented as they focus more on creating a better work environment for its 'associates' to work in. Others still are feudal in nature, treating employees no better than work-machines.

### **Team Orientation:**

It is a well established fact today that synergistic teams help give better results as compared to individual efforts. Each organization makes its efforts to create teams that will have complementary skills and will effectively work together.

**Aggressiveness:**

Every organization also lays down the level of aggressiveness with which their employees work. Some businesses like Microsoft are known for their aggression and market dominating strategies.

**Stability:**

While some organizations believe that constant change and innovation is the key to their growth, others are more focused on making themselves and their operations stable. The managements of these organizations are looking at ensuring stability of the company rather than looking at indiscriminate growth.

**How does culture affect managers and employees?****Acts as a control mechanism**

Organizational culture is important at the workplace because it sets out a control mechanism. It controls how workers relate to each other and how decisions are made in the organization. It can either be formal or informal, but its impact will still be there. An example is where the organization hires a new manager who makes decisions without first studying the organizational culture. If the changes he intends to make conflict with the organizations culture, then he or she will face resistance and unless he can manage to show the employees the need for change, then his new policies will not be adopted by the organization.

**Provides a sense of identity**

Organizational culture gives employees a sense of identity. It makes them feel part of the organization because they understand what is expected of them. When they are given a role to play in order to help the organization achieve its objectives, they know their duties thus have a purpose in the organization.

**Promotes mutual trust and understanding**

Organizational culture helps employees to develop mutual trust and cooperation therefore improve organizational performance. This in essence helps employees to have fewer disagreements between themselves. In addition, it makes the decision making process in an organization much easier. When there is corporation and trust between management and employees, new policies will not be resisted by employees. This is because employees will be in a position to trust the management of the organization.

**Gives employees a reason to behave in a certain way**

An organizations culture gives employees justification for their behavior. This is important especially when the employees need to comprehend why they behave the way they do. Or why an organization adopts certain policies concerning employee conduct.

**It encourages employees to be performers**

A positive environment encourages employees to be self starters. When employees are given autonomy, left to contribute towards organizational goals, they are more likely to work and will need little supervision.

**Employees' commitment**

If the management of an organization shows its employees that they have complete faith in them, the employees will feel an obligation to accomplish tasks in line with the trust accorded to them. This makes employees not only have commitment to their work but also to the organization.

How can an organization use culture to improve on its performance?

**Establish a reward system**

An organization that publicly rewards its employees for good performance or good conduct encourages the rewarded behavior. It shows its employees that it not only values the behavior but it also values it. This can be shown by promoting employees based on the values the employee has shown and not just performance. Rewards need not be on promotional basis alone but it also includes bonuses, praise or a paid vacation.

**Communication**

An organization that effectively communicates information to its employees and makes it accessible to its employees makes them feel part of the organization. This makes employees want to do their best not just for their paycheck but for the organization. The kinds of information that can be transmitted to employees include: the long term plans of the organization, new developments such as opportunities or problems faced by the company.

**Decision making**

The decision making process is vital in any organization. There are decisions that require secrecy due to their nature and this is understandable. There are other decisions that involve workers in your organization. These decisions should be made with the participation of the people they affect. This means consulting them or having a discussion in order to get their views and generate new ideas.

Organizational culture is an important aspect that management needs to take into account when making decisions and writing organizational policies. It is important for every organization to establish the right culture at its work place to ensure its goals and objectives are met.

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