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Week 6 - Organisational Culture

The changing Business Environment - BMBM4010

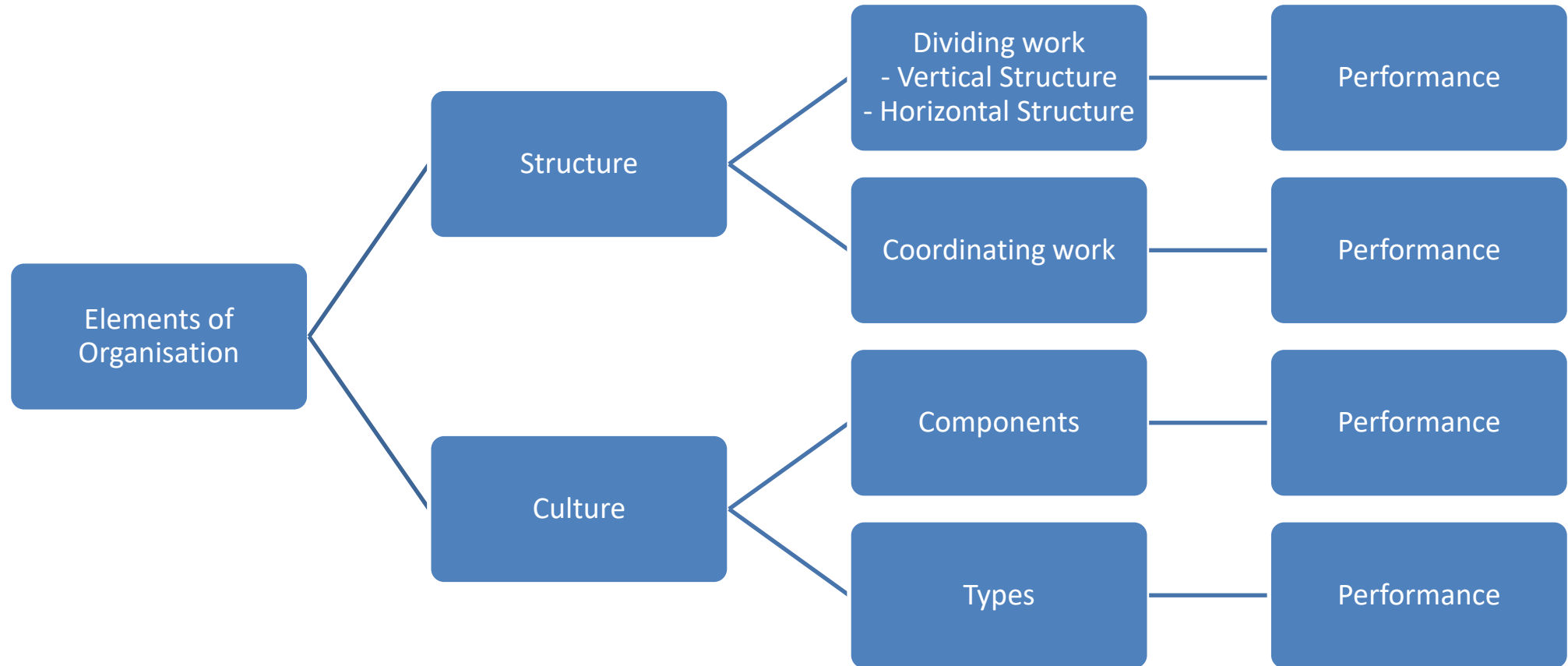


Today's Objectives

- To define and analyse culture, notably organisational culture
- To assess the importance of organisational culture in relation to overall performance



Structural & Cultural Elements of Organisations



Organisational Culture: Definitions

- 'The collection of traditions, values, policies, beliefs and attitudes that constitute a pervasive context for everything we do and think in an organisation.' (McLean, 1993)
- "A complex system of shared values, beliefs and behaviours that shape how work is done and how employees interact within an organisation"
(Schien 1985)
- "The accumulated shared learning of a group as it solves its problems of external adaptation and internal integration; which has worked well enough to be considered valid, and therefore to be taught to new members as the correct way to perceive, think, feel and behave in relation to those problems."
(Schien 2017)

Why Study Organisational Culture?



Deals with how things are done daily within an organisation



How well or badly an organisation performs – Heskett (1992) studies 207 companies



Effects how employees perform their work, how they relate to one another, customers and managers



How employees feel about the organisation they work for



Culture shapes behaviour:

Friendly or Aggressive
Proactive or Passive
Concerned or Not Bothered
Teamworker or Solo Player
Rule Follower or Rule Breaker

Schien's (1985) - Beliefs on culture



- That as people work together they develop a distinctive culture, reflecting what they perceive to be the correct way to approach and deal with organisational problems.
- That culture develops as group members share enough experiences to form a view of what works and what doesn't.
- This then shapes how members expect each other to behave and these common assumptions and beliefs can exert a profound influence on how a group performs.
- That cultures act as a filter for coping with information and provide members with a common set of guidelines that they use to work out how to make a contribution – more clearly work through issues the better the group will perform

Schien's (1985) - Beliefs on culture

- Main beliefs that Schien identified were those concerned with:
 - **Mission & Strategy** – beliefs about the overall mission and its reason for being
 - **Goals** – what the operational goals should be so to meet the broader mission
 - **Means** – how the group is to meet the goals
 - **Criteria for measuring results** – consensus on how performance is to be measured
 - **Remedial strategies** – prevailing assumptions about how to put things right



Components of Organisational Cultures

Deal and Kennedy (1982) refer to culture as *"the way we do things around here"*

Hofstede (1991) sees it as the *"collective programming of the mind"* - distinguishes one group from another

Culture can appear vague, but it does reflect some identifiable components:

- **Practices** – represent the surface level of culture – visible signs such as language, etiquette, clothing to physical layout of the office
- **Customs** – the accepted modes or norms of behaviour, reflecting its **beliefs and values**, that reflect the way for people and groups are expected to behave.
- **Beliefs** – the assumptions that members hold about the organisation and the situation within it – what practices work well in this business, how people make decisions, work together.
- **Values** – deeply held ideas of members of what is right or wrong, fair or unfair. These values are expressed in operating beliefs and norms of behaviour.



Types of Organisational Culture – Quinn et al. (2003)

Model is based on two inherent tensions – flexibility/control and internal/external.

- **Open Systems**

- people recognise that the external environment plays a significant role and is seen as a vital source of ideas, energy, resources etc.
- Sees the environment as complex & turbulent requiring entrepreneurial, visionary leadership and flexible, responsive behaviour.
- Key motivating factors – growth, stimulation, creativity & variety
- Examples – start-ups, new business units.

- **Rational goal**

- Members see organisation as a rational, efficiency-seeking unit.
- Define effectiveness in terms of production or economic goals that satisfy external requirements
- Managers create structures to deal with the outside world.
- Leadership tends to be directive, goal orientated and functional.
- Key motivating factors – competition and the achievement of the predetermined end
- Examples – large established business

- **Internal process**

- Members pay little attention to the external world, have inward focus.
- Goal is to make the unit internally efficient, stable and controlled.
- Goals are known, tasks repetitive, methods stress specialisation, rules and procedures
- Leaders tend to be conservative and cautious
- Key motivating factors –security, stability and order
- Examples – utilities and public authorities

- **Human Relations**

- People emphasise value of informal interpersonal relations rather than formal structures
- Place high value on maintaining the organisation and well-being of its members and define effectiveness in terms of developing people and their commitment
- Leaders tend to be participative, considerate and supportive
- Motivating factors – attachment, cohesiveness and membership
- Examples – professional service firms and internal support functions

Positive Aspects of Organisational Culture – Cartwright (1996)



- **Source of Identity & Belonging**
 - provides employees with a sense of shared identity
 - Employees feel they belong when values and norms are clearly understood & widely accepted – stronger emotional attachment to the organisation
 - Reduces uncertainty
 - Aligns behaviour with organisational expectations
 - Loyalty and reduced turnover
- **Improved performance & Productivity**
 - Constructive culture can enhance performance
 - Work processes become smoother and more efficient
 - Shared norms reduce the need for excessive control or supervision
 - Encourages collaboration
 - Increases motivation & engagement
- **Support during Organisational Change**
 - Cultural compatibility is crucial for successful organisational integration (during mergers & acquisitions)
 - Cultures align then employees experience less stress and resistance
 - Reduces uncertainty during change
 - Supports well-being
 - Encourages trust in leadership
- **Employee well-being & Psychological health**
 - Reduces workplace stress
 - Higher job satisfaction
 - Lower absenteeism
 - Better mental health outcomes



So....

- Values, beliefs and assumptions influence behaviour
- Culture guides actions but only when strong and unchallenged
- Some cultures are better than others
- If values, beliefs and attitudes can be learned they can also be changed

Culture as a Liability



Culture can become a liability when it prevents adaptation, encourages negative behaviours or creates internal conflict. Culture influences how employees think and behave and when those shared values and assumptions are unhealthy or outdated, they can damage performance and long-term success.

- **Resistance to Change**
 - Culture is slow to change – when employees become deeply attached to "the way things are done" may reject new ideas, technologies or leadership strategies
- **Lack of Diversity of thought**
 - Very cohesive culture can create "Groupthink" where people avoid challenging dominant views
 - Leads to poor decision making, reduced creativity & ethical failures
- **Cultural Misalignment due to Mergers**
 - When 2 organisations have very different values or management styles, integration becomes difficult
 - Lead to high turnover, reduced morale and lower productivity
- **Toxic or Unethical behaviour**
 - If negative behaviours become normalised, culture can reinforce harmful practices
 - Excessive competition between employees, bullying or intimidation
 - Ignoring ethical standards to achieve targets
- **Exclusion and lack of inclusion**
 - Strong cultures can unintentionally exclude individuals who do not "fit in" - may disadvantage minority groups or new employees – reducing diversity
 - Lower innovation
 - Reduced employee engagement

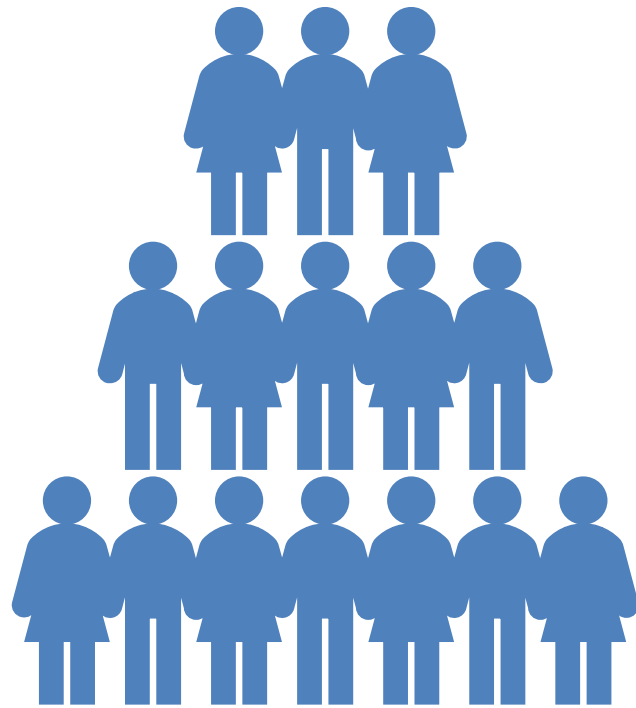
Culture's 5 Basic Functions

- **Provides Identity** – employees have a sense of belonging, how they part of the organisation
 - Shared value creates pride & employees feel connected to the organisations mission
- **Creates Commitment** – employees commit to something larger than their individual role
 - Loyalty to organisation goals, willingness to work towards shared objectives
 - Stronger team orientation
- **Enhances Social Stability** – acts as a social "glue" that holds the organisation together
 - Reduces conflict & sets behavioural expectations
 - Creates predictable working relationships
- **Provides Guidance & Control** – instead of written rules, culture guides:
 - How employees behave & decisions made
 - What behaviours are regarded or discouraged
- **Helps with Sense-Making** – helps employees interpret events & situations
 - Helps answer questions such as – what is important here, how should we respond to change etc.

Robins and Judge (2019)

Schien's 3 Levels of Organisational Culture

Schien argued that organisational culture exists at 3 levels, ranging from visible elements to deeply embedded assumptions



Schien and Schien
(2017)

- **Artefacts:** *visible & observable* aspects of culture – dress code, office layout, logo's & branding, language
Open office – may suggest collaboration
Formal dress – may suggest professionalism
Staff awards – show how recognition is valued

Easy to see but difficult to interpret.
- **Espoused values:** the declared values and rules of the organisation – Mission statements, company values, strategic goals. Company may state that it values customer focus, innovation & equality & diversity

Sometimes be a gap between what an organisation says it values and what actually happens in practice
- **Basic underlying assumptions:** unconsciously held learned responses – the essence/core
Basic assumptions are-
Unconscious, taken for granted beliefs, deeply embedded ways of thinking

Influence – how people perceive situations, how decision are made & how employees behave automatically

A belief that "management cannot be trusted" or belief long hours equals commitment



Group Discussion – What did you learn about the culture of these companies?

- What culture were they trying to portray?
- What values were key or being portrayed as being most important?
- Google v local companies – differences?
- Would you want to work for these companies and why?

Example of Organisational Culture

- Bevan Buckland
- Accountancy Practice





Example of Organisational Culture

AU Vodka

[Jobs at Au Vodka | Au Vodka
Careers](#)

Example of Organisational Culture – Google (Dublin)



Handy's 4 types of culture

Handy identified 4 main culture types that explains how power, roles & relationships operate within organisations. Main Cultures in UK – Role & Task

Person – The individual is the central focus & organisation exists to serve its members - Found amongst artists, performers, barristers, architects

Key features – high level of autonomy, shared decision-making, Individual expertise valued

Power – Centred around a strong central figure or small group who hold most of the authority
Found in small entrepreneurial companies, family dominated – Found in small entrepreneurial firms

Key features- Centralised decision-making, Few rules & procedures, Strong leadership control, Quick responses to problems

Role – based on clearly defined job roles and responsibilities – found in large public sector or government departments

Key Features - Bureaucratic structure, Formal rules & procedures, Hierarchical authority

Task – The emphasis is on completing the job or project or solving particular problems. Found in consultancy firms or project-based organisations

Key Features - Team based structure, Expertise valued over position, Flexible & adaptable

Types of culture: Deal and Kennedy (1982)

Model is based on 2 factors – level of risk & speed of feedback

Tough-guy, macho culture - High risk, quick feedback. Found – advertising agencies, stock trading firms, sales

Key Features – fast decisions, individual performance valued, competitive & immediate rewards or failure

Work-hard / play-hard culture - Low risk, quick feedback. Found – retail, customer service companies

Key features – teamwork, high customer focus, fun & energetic and performance driven

Bet-your-company culture - High risk, slow feedback. Found – oil, aerospace, pharmaceutical firms

Key features – large, long-term investments, strategic decision-making and long wait for results

Process culture - Low risk, slow feedback. Found – Government, banks & insurance companies

Key features – rules and procedures dominate, focus on how things are done & stability and control

Types of culture: (ACAS)

- **Positive (Supportive) Culture** – promotes fairness, inclusion, respect & well-being
- **Toxic (Negative) Culture** – poor behaviour is tolerated or ignored
- **Blame Culture** – individuals are criticised for mistakes rather than problems being solved constructively
- **Learning Culture** – focuses on improvement and development
- **Inclusive Culture** – Promotes inclusive workplace cultures



Influences on the Development of Culture



Founders & Leadership – influence organisational values, behavioural expectations, decision-making styles & communication patterns



History - past successes and failures influence current culture.



Industry & External Environment – sector in which organisation operates affects its culture. Financial services may develop risk-aware & compliance-focused cultures



Organisational Structure – hierarchical structure may create a formal culture or a flat structure may encourage collaboration and openness



Workforce Characteristics – employees affect the culture such as age, skills, diversity & professional background.



National Culture – influences workplace expectations and behaviour. Some countries value hierarchy and respect for authority.



Management and HR Policies – recruitment, training, reward systems & performance management shape culture. Rewarding teamwork encourages collaboration.

The cultural web – developed by Johnson & Scholes

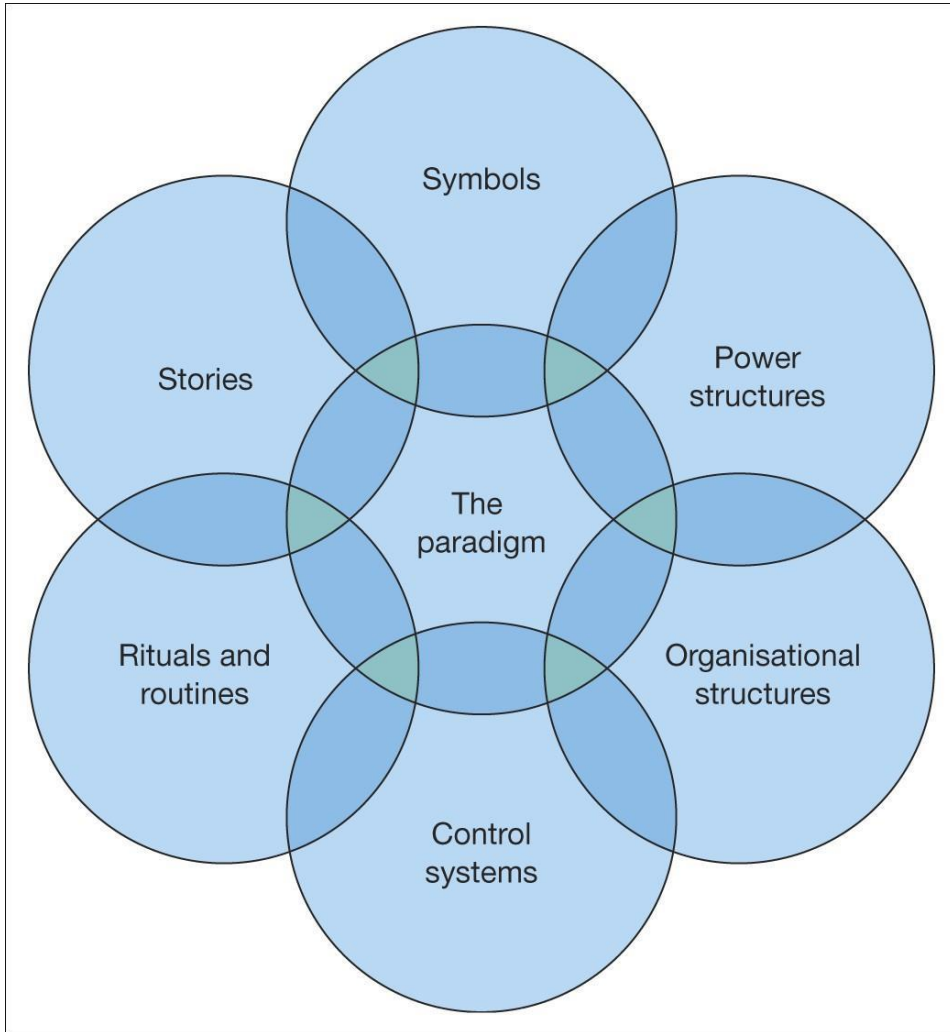


Figure 19.1 The cultural web of an organisation

Source: Johnson, G., Scholes, K. and Whittington, R., *Exploring Corporate Strategy*, Seventh Edition, Financial Times Prentice Hall (2005), p. 202. Reproduced with permission from Pearson Education Ltd.

Stories - narratives people tell about the organisation.
Highlighting important events, successes, key individuals

Rituals & routines – daily behaviours and habits that signal what is important – meeting styles or how decisions made

Symbols – visual elements i.e. logo's, dress code, office layout that represent the organisations identity

Organisational structure – hierarchy and reporting lines.
Flat structure = openness, Tall hierarchy = formality & control

Control systems – methods used to monitor and regulate performance – targets, rewards or performance reviews

Power Structure – people or groups who hold the most influence in decision-making

Paradigm – core set of beliefs and assumptions that underpin the organisations culture

Culture and organisational performance

‘Without exception, the dominance and coherence of culture proved to be an essential quality of the excellent companies.’

Peters and Waterman (1984)

‘There is nothing accidental about cultural strengths.. There is a relationship between an organisation’s culture and its performance.’

Heller



Culture Development

To be suitable, a culture must be:

- Strategically relevant & clear vision
- Strong enough for people to care
- Able to adapt to changing circumstances
- Effective leadership
- Appropriate HR practices
- Communication
- External environment fit (responding to market conditions, competition & change)

Managerial tools to develop culture include:

- Recruitment and selection
- Leadership & role modelling
- Induction & socialisation
- Social tools and training & development
- Reward & performance management systems
- Communication strategies
- Organisational structure

Three perspectives on culture

- **Optimists** – culture can be changed, e.g. Peters and Waterman (1982).
- **Pessimist** – culture cannot be changed, e.g. Hatch (1997)
- **Realists** – parts of culture can be changed, e.g. Meek (1988).



3 Main Perspectives on Organisational Culture - Ogbonna and Harris (2002)



- **Integration Perspective** – Culture is **shared & consistent** across the whole organisation
 - Everyone agrees on the organisation's values
 - Clear mission and strong leadership
 - Culture is unified and stable
 - e.g. Apple – promotes innovation, design excellence & secrecy. Employees are expected to align with these core values.
- **Differentiation Perspective** – Culture is **not the same** everywhere in the organisation
 - Different departments have different subcultures
 - Maybe disagreement between groups
 - Conflict can exist alongside shared values
 - e.g. Tesco – head office focuses on strategy & branding, store on customer service & daily targets and warehouse on efficiency & cost control
- **Fragmentation Perspective** – is **ambiguous and constantly changing**
 - No clear agreement across the organisation
 - People interpret values differently
 - Culture shifts depending upon situations
 - e.g. fast changing tech start ups – disagree on company direction, interpret values differently & experience uncertainty during rapid growth

Dobson's Guide to Changing Organisational Culture



1 – Diagnose the Existing Structure

- Identify current values and beliefs
- Understand employee attitudes
- Recognise subcultures within departments
- Analyse leadership style and power structures



2 – Create a Clear Vision for change

- Why change is needed
- What the new culture should look like
- How it links to business strategy



3 – Gain Senior Management Commitment

- Act as role models
- Demonstrate new behaviours
- Reinforce new values consistently



4 – Align Systems & Structures

- Reward systems
- Recruitment and selection
- Performance management
- Training and development



5 – Communicate & Involve Employees

- Understand the reasons for change
- Be involved in the process
- Feel ownership of new values



6 – Reinforce & Monitor the Change

- Monitor progress
- Reinforce new behaviours
- Adjust when necessary

Dobson's Guide to Changing Organisational Culture

Dobson (1988) argues that changing organisational culture is *complex and difficult* because it is deeply rooted in shared beliefs, values and behaviours. It cannot be changed simply by issuing new rules.

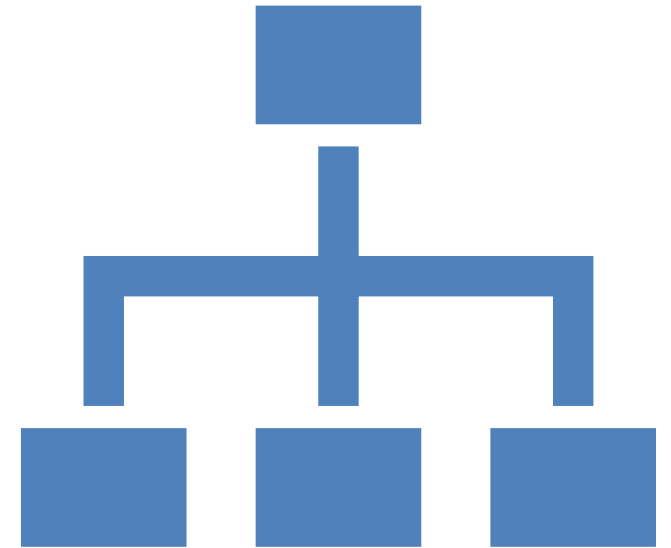
Culture change is complex and long-term and must be reinforced through consistent leadership behaviour.

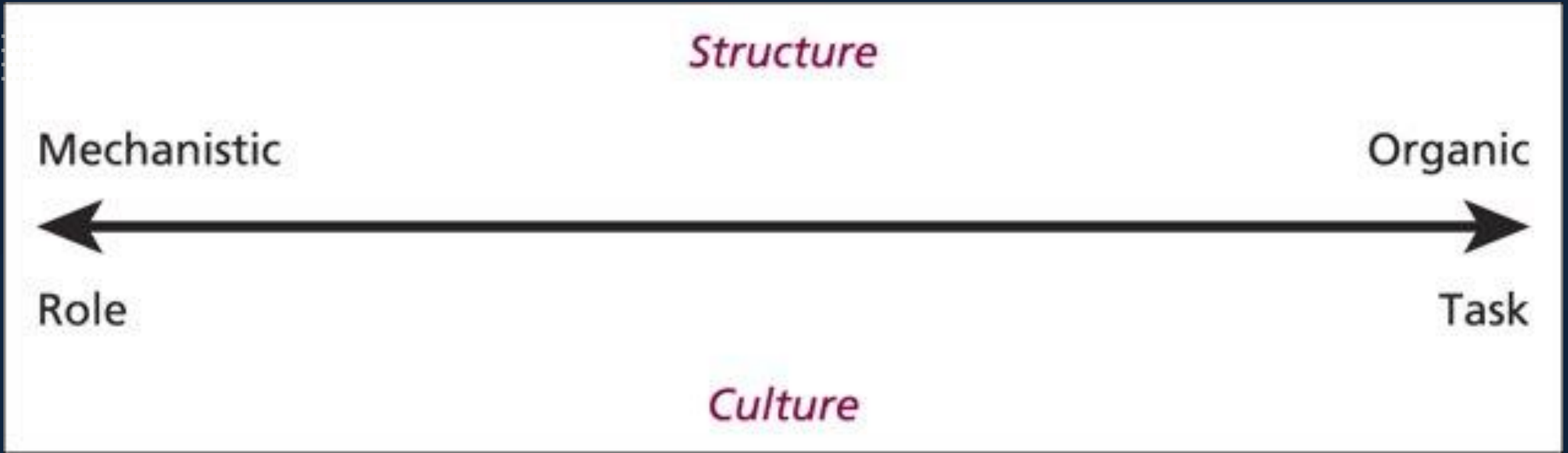


Guidelines for changing culture

1. Clearly define the desired culture.
2. Display top-management commitment.
3. Involve employees in the process.
4. Align systems and structures.
5. Communicate consistently
6. Provide Training and support
7. Monitor and reinforce change

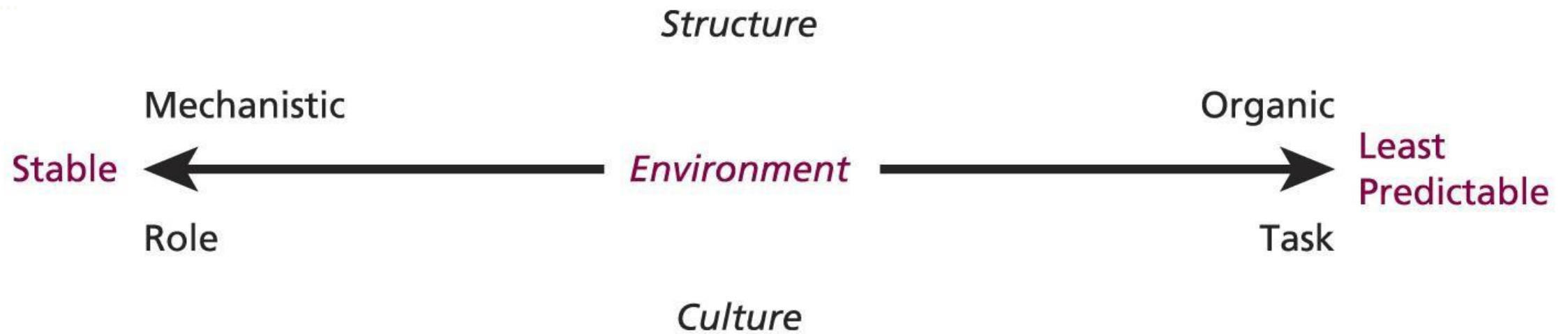
(Cummings and Worley, 2001: 509 - 511)





A structure–culture continuum

- Figure 3 A structure–culture continuum Burnes (2009)



A structure–culture– environment continuum

- Figure 4 A structure–culture–environment continuum

Increasingly uncertain
Environment

Organic Structure

Role Culture

Appropriate to
bureaucracies, and
organisations with
mechanistic, rigid
structures and
narrow jobs.

Characterised by a
network structure of
control, authority and
communication with job
and task flexibility, and
continual redefinition of
tasks.

A structure–culture– mismatch

National & International Culture

National Culture – the shared beliefs, norms and behaviour of people within a country.

Influenced by:

- History, religion, education, language & social traditions

Why it matters in business:

- Leadership styles, communication methods, attitudes to authority, decision making & risk taking

Example – UK managers encourage discussion & participation, Japan maybe greater respect for hierarchy & seniority.

International Culture – refers to the way different national cultures interact in global business environments. It is about managing cultural differences across borders.

Important when organisations:

- Operate in multiple countries, manage international teams, trade globally & enter foreign markets

Example – UK company expanding into China must understand their national culture, adapt management styles & train staff for international cultural awareness

Hofstede - Software of the mind

Hofstede (1991) believes culture is the mental programming we learn from our family, education and society that shapes how we think and believe.

Human nature = the hardware (what all humans share – emotions/basic needs)

Culture = the software (programming we receive from society)

Personality = individual differences (personal traits & experiences)

Why is it called Programming?

Because culture:

- Learned, not inherited
- Influences how we interpret situations
- Shapes what we see as normal or acceptable
- Guides behaviour without us always realising it

Why does it matter in business?

Helps managers to realise:

- Employees from different countries may think differently
- Conflict can happen because of cultural programming
- Management styles may need to adapt internationally

Culture: Conclusions

- No clear agreement about the nature or the flexibility of culture.
- Managers must make choices based on their own circumstances and perceived options.
- Without strong or appropriate cultures, managers may find it difficult to agree among themselves or gain compliance from others.
- In such situations, there is a tendency for conflict and power battles to occur.





**Any
questions?**

**All lecture
presentations and
video links on
Moodle correctly
now**

**Next lecture –
Monday 9th March–
9.00 am**