

# Chapter 16

## Organizational Culture

(Click on the title when connected to the Internet for online video teaching notes)

### LEARNING OBJECTIVES (ppt16-1)

After studying this chapter, students should be able to:

1. Define *organizational culture* and describe its common characteristics. Compare the functional and dysfunctional effects of organizational culture on people and the organization.
2. Identify the factors that create and sustain an organization's culture.
3. Show how culture is transmitted to employees.
4. Demonstrate how an ethical culture can be created.
5. Describe a positive organizational culture.
6. Identify characteristics of a spiritual culture.
7. Show how national culture may affect the way organizational culture is transported.

### INSTRUCTOR RESOURCES

#### **Text Exercises**

- International OB: Managing Across Organizational Boundaries
- Myth or Science? People Socialize Themselves
- An Ethical Choice: Working in a Spiritual Culture
- Point/CounterPoint: Organizational Cultures Can't Be Changed
- Questions for Review
- Experiential Exercise: Rate Your Classroom Culture
- Ethical Dilemma: Is There Room for Snooping in an Organization's Culture?

#### **Text Cases**

- Case Incident 1: Mergers Don't Always Lead to Culture Clashes
- Case Incident 2: Google and P&G Swap Employees

#### **Instructor's Choice**

This section presents an exercise that is NOT found in the student's textbook. Instructor's Choice reinforces the text's emphasis through various activities. Some Instructor's Choice activities are centered on debates, group exercises, Internet research, and student experiences. Some can be used in-class in their entirety, while others require some additional work on the student's part. The course instructor may choose to use these at anytime throughout the class—some may be more effective as icebreakers, while some may be used to pull together various concepts covered in the chapter.



## WEB EXERCISES

At the end of each chapter of this Instructor's Manual, you will find suggested exercises and ideas for researching the WWW on OB topics. The exercises "Exploring OB Topics on the Web" are set up so that you can simply photocopy the pages, distribute them to your class, and make assignments accordingly. You may want to assign the exercises as an out-of-class activity or as lab activities with your class.

## SUMMARY AND IMPLICATIONS FOR MANAGERS

Exhibit 16-6 depicts organizational culture as an intervening variable. Employees form an overall subjective perception of the organization based on factors such as degree of risk tolerance, team emphasis, and support of people. This overall perception becomes, in effect, the organization's culture or personality and affects employee performance and satisfaction, with stronger cultures having greater impact.

Just as people's personalities tend to be stable over time, so too do strong cultures. This makes a strong culture difficult for managers to change if it becomes mismatched to its environment. But as this chapter's Point/Counterpoint demonstrates, changing an organization's culture is a long and difficult process. Thus, at least in the short term, managers should treat their organization's culture as relatively fixed.

One of the most important managerial implications of organizational culture relates to selection decisions. Hiring individuals whose values don't align with those of the organization is likely to yield employees who lack motivation and commitment and are dissatisfied with their jobs and the organization. Not surprisingly, employee "misfits" have considerably higher turnover rates.

An employee's performance also depends to a considerable degree on knowing what to do and not do. Understanding the right way to do a job indicates proper socialization.

As a manager, you can shape the culture of your work environment. All managers can especially do their part to create an ethical culture and to consider spirituality and its role in creating a positive organizational culture. Often you can do as much to shape your organizational culture as the culture of the organization shapes you.

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*This chapter begins with an introduction to the 5S philosophy as a cultural component. Begun by Japanese companies, the 5S concept defines acceptable structuring, organization, and appearance of work areas.*

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## BRIEF CHAPTER OUTLINE

### I. Introduction

- A. A strong organizational culture provides stability to an organization.
- B. For some organizations, it can also be a major barrier to change.
- C. In this chapter, we show that every organization has a culture that, depending on its strength, can have a significant influence on the attitudes and behaviors of organization members.

### II. What Is Organizational Culture?

- A. Definition of Organizational Culture (ppt16-2)
  1. Organizational culture refers to a system of shared meaning held by members that distinguishes the organization from other organizations.
  2. Research identifies seven primary characteristics that capture the essence of an organization's culture:
    - a. Innovation and risk taking
    - b. Attention to detail
    - c. Outcome orientation
    - d. People orientation
    - e. Team orientation
    - f. Aggressiveness
    - g. Stability
    - h. Each of the characteristics exists on a continuum from low to high.
    - i. Exhibit 16-1 shows how these characteristics can be mixed.
- B. Culture Is a Descriptive Term
  1. Organizational culture is concerned with employees' perception of the characteristics of the culture—not whether they like them.
  2. Research has sought to measure how employees see their organization.
  3. Organizational culture differs from job satisfaction.
- C. Do Organizations Have Uniform Cultures? (ppt16-3)
  1. Most organizations have a dominant culture and numerous sets of subcultures.
  2. Dominant culture expresses the core values that are shared by a majority of the organization's members.
  3. Subcultures tend to develop in large organizations to reflect common problems, situations, or experiences that members face.
- D. Strong Versus Weak Cultures
  1. Strong culture: core values are intensely held and widely shared.
  2. The more members who accept core values and the greater their commitment to those values, the stronger the culture is.
  3. Result of strong culture should be lower employee turnover.
- E. Culture Versus Formalization
  1. A strong culture increases behavioral consistency.
  2. High formalization creates predictability, orderliness, and consistency.
  3. The stronger an organization's culture, the less management needs to develop formal rules and regulations.

### III. What Do Cultures Do? (ppt16-4)

- A. Cultures can be positive or negative for organizations.
  1. Culture's Functions
    - a. Boundary-defining role
    - b. Conveys a sense of identity for members
    - c. Facilitates the generation of commitment
    - d. Enhances the stability of the social system

- e. Culture serves as a sense-making and control mechanism; guides and shapes attitudes and behavior of employees.
  2. Today's trend toward decentralized organizations makes culture more important than ever, but ironically it also makes establishing a strong culture more difficult.
  3. When formal authority and control systems are reduced, culture's *shared meaning* points everyone in the same direction.
  4. Employees organized in teams may show greater allegiance to their team and its values than to the values of the organization as a whole.
  5. In virtual organizations, the lack of frequent face-to-face contact makes establishing a common set of norms very difficult.
- B. Culture Creates Climate
1. Organizational climate refers to the shared perceptions organizational members have about their organization and work environment.
  2. The same appears true for organizations.
  3. Dozens of dimensions of climate have been studied, including safety, justice, diversity, and customer service, to name a few.
  4. A person who encounters a positive climate for performance will think about doing a good job more often and will believe others support his or her success.
  5. Someone who encounters a positive climate for diversity will feel more comfortable collaborating with coworkers regardless of their demographic background.
  6. Climate also influences the habits people adopt.
- C. Culture as a Liability (ppt16-5)
1. Introduction
    - a. Culture enhances organizational commitment and increases the consistency of employee behavior.
  2. Institutionalization
    - a. When an organization undergoes institutionalization and becomes *institutionalized*—that is, it is valued for itself and not for the goods or services it produces—it takes on a life of its own, apart from its founders or members.
  3. Barriers to Change
    - a. Culture is a liability when the shared values are not in agreement with those that will further the organization's effectiveness.
    - b. Most likely to occur when the environment is dynamic
  4. Barriers to Diversity
    - a. Diverse behaviors and strengths are likely to diminish in strong cultures as people attempt to fit in.
    - b. Strong culture can be liabilities when they effectively eliminate the unique strengths that people of different backgrounds bring to the organization.
  5. Barriers to Acquisitions and Mergers
    - a. Cultural compatibility has become the primary concern when considering acquisitions and/or mergers.
    - b. Primary cause for failed acquisitions is conflicting organizational culture.
- IV. Creating and Sustaining Culture
- A. Introduction
1. Once an organization's culture is established it rarely fades away.
- B. How a Culture Begins (ppt16-6)
1. Ultimate source of an organization's culture is its founders.
  2. New organizations are typically small; facilitates the founders' imparting of their vision on all organizational members.

3. Culture creation occurs in three ways:
    - a. Founders hire employees who feel the way they do.
    - b. Employees are indoctrinated and socialized into the founders' way of thinking.
    - c. Founders' behavior acts as a role model.
  - A. Keeping a Culture Alive
    1. Selection
    2. Top Management
      - a. Socialization (Exhibit 16-2)
      - b. Three-stage process (ppt16-7)
        - i. Pre-arrival
        - ii. Encounter
        - iii. Metamorphosis (Exhibit 16-3) (ppt16-8)
  - B. Summary: How Cultures Form (Exhibit 16-4) (ppt16-9)
    1. Founder's philosophy guides culture.
    2. Hiring is strongly influenced by founder.
    3. Employees are socialized for the culture.
- V. How Employees Learn Culture (ppt16-10)
- A. Introduction
    1. Culture is transmitted to employees through stories, rituals, material symbols, and language.
  - B. Stories
    1. Narrative of events about the organization's founders, rule breaking, relocation of employees, past mistakes, etc. Serve as anchors for the present and legitimize current practices.
  - C. Rituals
    1. Repetitive sequences of activities that express and reinforce the key values of the organization
  - D. Material Symbols
    1. Layout of corporation headquarters, types of automobile top executives are given, aircraft, size of offices, executive perks, etc.
  - E. Language
    1. Organizations develop unique terms related to its business.
- VI. Creating an Ethical Organizational Culture (ppt16-11)
- A. Characteristics shaping high ethical standards:
    1. High in risk tolerance
    2. Low to moderate in aggressiveness
    3. Focuses on means as well as outcomes
    4. Managers are supported for taking risks and innovating
    5. Strong culture exerts more influence on employees than a weak one
  - B. How can management create a more ethical culture?
    1. Be a visible role model.
    2. Communicate ethical expectations.
    3. Provide ethical training.
    4. Visibly reward ethical acts and punish unethical ones.
    5. Provide protective mechanisms.
- VII. Creating a Positive Organizational Culture (ppt16-12)
- A. Introduction
    1. There is a trend today for organizations to attempt to create a positive organizational culture.
    2. A positive organizational culture emphasizes building on employee strengths, rewards more than it punishes, and emphasizes individual vitality growth.

- B. Building on employee strengths
    - 1. Do not ignore problems.
    - 2. Emphasize how workers capitalize on their strengths.
  - C. Rewarding more than punishing
    - 1. Praise in addition to extrinsic rewards
    - 2. Catch employees doing something right
  - D. Emphasizing vitality and growth
    - 1. Organizational effectiveness plus individual growth
    - 2. Employees are more than tools.
    - 3. Recognize difference between job and career.
  - E. Limits of Positive Culture
    - 1. Not a panacea for all companies
    - 2. All cultures don't value being positive
- VIII. Spirituality and Organizational Culture (ppt16-13)
- A. What Is Spirituality?
    - 1. Workplace spirituality is not about organized religious practices. It is not about God or theology.
  - B. Why Spirituality Now? (Exhibit 16-5) (ppt16-14)
    - 1. Historical models of management and organizational behavior had no room for spirituality. The myth of rationality assumed that the well-run organization eliminated feelings.
  - C. Characteristics of a Spiritual Organization (ppt16-15)
    - 1. Spiritual organizations are concerned with helping people develop and reach their full potential.
    - 2. Organizations that are concerned with spirituality are more likely to directly address problems created by work/life conflicts.
    - 3. What differentiates spiritual organizations from their non-spiritual counterparts?
      - a. Strong Sense of Purpose
      - b. Trust and Respect
      - c. Humanistic Work Practices
      - d. Toleration of Employee Expression
  - D. Criticisms of Spirituality (ppt16-16)
    - 1. Critics of the spirituality movement in organizations have focused on two issues:
      - a. First is the question of legitimacy. Specifically, do organizations have the right to impose spiritual values on their employees?
      - b. Second is the question of economics. Are spirituality and profits compatible?
    - 2. This criticism is undoubtedly valid when spirituality is defined as bringing religion and God into the workplace.
    - 3. The issue of whether spirituality and profits are compatible objectives is certainly relevant for managers and investors in business.
    - 4. Another study found that organizations that provide their employees with opportunities for spiritual development outperformed those that did not.
    - 5. Other studies also report that spirituality in organizations was positively related to creativity, employee satisfaction, team performance, and organizational commitment.
- IX. Global Implications (ppt16-17)
- A. We considered global cultural values (collectivism–individualism, power distance, and so on) in Chapter 5. Here our focus is a bit narrower:
    - 1. How is organizational culture affected by a global context?
    - 2. As the opening vignette suggests, organizational cultures are so powerful

- they often transcend national boundaries.
3. But that doesn't mean organizations should, or could, be blissfully ignorant of local culture.
- B. Organizational cultures often reflect national culture.
1. When an organization opens up operations in another country, it ignores the local culture at its own risk.
- C. One of the primary things U.S. managers can do is to be culturally sensitive.
1. The United States is a dominant force in business and in culture, and with that influence comes a reputation.
  2. "We are broadly seen throughout the world as arrogant people, totally self-absorbed and loud," says one U.S. executive.
- D. The management of ethical behavior is one area where national culture can rub up against corporate culture.
1. Many strategies for improving ethical behavior are based on the values and beliefs of the host country.
  2. This worldview sees bribery, nepotism, and favoring personal contacts as highly unethical.
- E. U.S. employees are not the only ones who need to be culturally sensitive.
1. Three times a week, employees at the Canadian unit of Japanese video game maker Koei begin the day by standing next to their desks, facing their boss, and saying "Good morning" in unison.
  2. Although these practices are consistent with Koei's culture, they do not fit Canadian culture very well.
- X. Summary and Implications for Managers (ppt16-19)
- A. Exhibit 16-6 depicts organizational culture as an intervening variable. (ppt16-18)
1. Employees form an overall subjective perception of the organization based on factors such as degree of risk tolerance, team emphasis, and support of people.
  2. This overall perception becomes, in effect, the organization's culture or personality and affects employee performance and satisfaction, with stronger cultures having greater impact.
- B. Just as people's personalities tend to be stable over time, so too do strong cultures.
1. This makes a strong culture difficult for managers to change if it becomes mismatched to its environment. But as this chapter's Point/Counterpoint demonstrates, changing an organization's culture is a long and difficult process.
  2. Thus, at least in the short term, managers should treat their organization's culture as relatively fixed.
- C. One of the most important managerial implications of organizational culture relates to selection decisions.
1. Hiring individuals whose values don't align with those of the organization is likely to yield employees who lack motivation and commitment and are dissatisfied with their jobs and the organization.
  2. Not surprisingly, employee "misfits" have considerably higher turnover rates.
- D. An employee's performance also depends to a considerable degree on knowing what to do and not do.
1. Understanding the right way to do a job indicates proper socialization.
- E. As a manager, you can shape the culture of your work environment.
1. All managers can especially do their part to create an ethical culture and to consider spirituality and its role in creating a positive organizational culture.

## EXPANDED CHAPTER OUTLINE

## I. Introduction

- A. A strong organizational culture provides stability to an organization.
- B. For some organizations, it can also be a major barrier to change.
- C. In this chapter, we show that every organization has a culture that, depending on its strength, can have a significant influence on the attitudes and behaviors of organization members.

## II. What Is Organizational Culture?

## A. Definition of Organizational Culture

1. Organizational culture refers to a system of shared meaning held by members that distinguishes the organization from other organizations.
2. Research identifies seven primary characteristics that capture the essence of an organization's culture:
  - a. Innovation and risk taking
    - i. The degree to which employees are encouraged to do both
  - b. Attention to detail
    - i. Degree to which employees are expected to exhibit precision, analysis, and attention to detail
  - c. Outcome orientation
    - i. Degree to which management focuses on results rather than on processes used to achieve them
  - d. People orientation
    - i. Degree to which management decisions consider the effect of outcomes on people within the organization
  - e. Team orientation
    - i. Degree to which work activities are organized around teams rather than individuals
  - f. Aggressiveness
    - i. Degree to which people are aggressive and competitive
  - g. Stability
    - i. Degree to which activities emphasize maintaining the status quo.
  - h. Each of the characteristics exists on a continuum from low to high.
  - i. Exhibit 16-1 shows how these characteristics can be mixed.

## B. Culture Is a Descriptive Term

1. Organizational culture is concerned with employees' perception of the characteristics of the culture—not whether they like them.
2. Research has sought to measure how employees see their organization:
  - a. Does it encourage teamwork?
  - b. Does it reward innovation?
  - c. Does it stifle initiative?
3. Organizational culture differs from job satisfaction:
  - a. Job satisfaction is evaluative.
  - b. Organizational culture is descriptive.

## C. Do Organizations Have Uniform Cultures?

1. Most organizations have a dominant culture and numerous sets of subcultures.
2. Dominant culture expresses the core values that are shared by a majority of the organization's members.
3. Subcultures tend to develop in large organizations to reflect common problems, situations, or experiences that members face.

## D. Strong Versus Weak Cultures

1. Strong culture: core values are intensely held and widely shared.



2. The more members who accept core values and the greater their commitment to those values, the stronger the culture is.
  3. Result of strong culture should be lower employee turnover.
- E. Culture Versus Formalization
1. A strong culture increases behavioral consistency.
  2. High formalization creates predictability, orderliness, and consistency.
  3. Formalization and culture are two different roads to a common destination.
  4. The stronger an organization's culture, the less management needs to develop formal rules and regulations.
  5. Employees internalize guides when they accept the organization's culture.

### III. What Do Cultures Do?

- A. Cultures can be positive or negative for organizations.
1. Culture's Functions
    - a. Boundary-defining role
    - b. Conveys a sense of identity for members
    - c. Facilitates the generation of commitment
    - d. Enhances the stability of the social system
    - e. Culture serves as a sense-making and control mechanism; guides and shapes attitudes and behavior of employees.
  2. Today's trend toward decentralized organizations makes culture more important than ever, but ironically it also makes establishing a strong culture more difficult.
  3. When formal authority and control systems are reduced, culture's *shared meaning* points everyone in the same direction.
  4. Employees organized in teams may show greater allegiance to their team and its values than to the values of the organization as a whole.
  5. In virtual organizations, the lack of frequent face-to-face contact makes establishing a common set of norms very difficult.
  6. Strong leadership that communicates frequently about common goals and priorities is especially important in innovative organizations.
  7. Individual-organization "fit"—that is, whether the applicant's or employee's attitudes and behavior are compatible with the culture—strongly influences who gets a job offer, a favorable performance review, or a promotion.
- B. Culture Creates Climate
1. Organizational climate refers to the shared perceptions organizational members have about their organization and work environment.
    - a. This aspect of culture is like team spirit at the organizational level.
    - b. When everyone has the same general feelings about what's important or how well things are working, the effect of these attitudes will be more than the sum of the individual parts.
  2. The same appears true for organizations.
    - a. One meta-analysis found that across dozens of different samples, psychological climate was strongly related to individuals' level of job satisfaction, involvement, commitment, and motivation.
    - b. A positive overall workplace climate has been linked to higher customer satisfaction and financial performance.
  3. Dozens of dimensions of climate have been studied, including safety, justice, diversity, and customer service, to name a few.
  4. A person who encounters a positive climate for performance will think about doing a good job more often and will believe others support his or her success.
  5. Someone who encounters a positive climate for diversity will feel more comfortable collaborating with coworkers regardless of their demographic background.

6. Climate also influences the habits people adopt.
    - a. If the climate for safety is positive, everyone wears safety gear and follows safety procedures even if individually they wouldn't normally think very often about being safe.
- C. Culture as a Liability
1. Introduction
    - a. Culture enhances organizational commitment and increases the consistency of employee behavior.
  2. Institutionalization
    - a. When an organization undergoes institutionalization and becomes *institutionalized*—that is, it is valued for itself and not for the goods or services it produces—it takes on a life of its own, apart from its founders or members.
    - b. It doesn't go out of business even if its original goals are no longer relevant.
    - c. Acceptable modes of behavior become largely self evident to members, and although this isn't entirely negative, it does mean behaviors and habits that should be questioned and analyzed become taken for granted, which can stifle innovation and make maintaining the organization's culture an end in itself.
  3. Barriers to Change
    - a. Culture is a liability when the shared values are not in agreement with those that will further the organization's effectiveness.
    - b. Most likely to occur when the environment is dynamic
    - c. Where there is rapid change, an entrenched culture may no longer be appropriate.
  4. Barriers to Diversity
    - a. Diverse behaviors and strengths are likely to diminish in strong cultures as people attempt to fit in.
    - b. Strong culture can be liabilities when they effectively eliminate the unique strengths that people of different backgrounds bring to the organization.
    - c. Strong cultures can also be liabilities when they support institutional bias or become insensitive to people who are different.
  5. Barriers to Acquisitions and Mergers
    - a. Cultural compatibility has become the primary concern when considering acquisitions and/or mergers.
    - b. Primary cause for failed acquisitions is conflicting organizational culture.
- IV. Creating and Sustaining Culture
- A. Introduction
1. Once an organization's culture is established it rarely fades away.
- B. How a Culture Begins
1. Ultimate source of an organization's culture is its founders.
  2. Founders have vision of what the organization should be.
  3. Unconstrained by previous ideologies or customs
  4. New organizations are typically small; facilitates the founders' imparting of their vision on all organizational members.
  5. Culture creation occurs in three ways:
    - a. Founders hire employees who feel the way they do.
    - b. Employees are indoctrinated and socialized into the founders' way of thinking.
    - c. Founders' behavior acts as a role model.
- C. Keeping a Culture Alive
1. Selection

- a. Attempt to ensure a proper match.
- b. Both candidates and organization learn about each other.
2. Top Management
  - a. Norms are established through the behavior of executives.
3. Socialization (Exhibit 16-2)
  - a. The process of helping new employees adapt to the organization's culture
  - b. Most critical time is at the initial entry point.
  - c. Employees who fail to learn role behaviors are labeled as "nonconformists" or "rebels." May lead to expulsion
  - d. Three-stage process
    - i. Pre-arrival
      - (a) Explicitly recognizes that each individual arrives with a set of values, attitudes, and expectations
    - ii. Encounter
      - (a) Individual confronts the possible dichotomy between expectations and reality
    - iii. Metamorphosis (Exhibit 16-3)
      - (a) Process of working out any problems discovered during the encounter stage
- D. Summary: How Cultures Form (Exhibit 16-4)
  1. Founder's philosophy guides culture.
  2. Hiring is strongly influenced by founder.
  3. Employees are socialized for the culture.
- V. How Employees Learn Culture
  - A. Introduction
    1. Culture is transmitted to employees through stories, rituals, material symbols, and language.
  - B. Stories
    1. Narrative of events about the organization's founders, rule breaking, relocation of employees, past mistakes, etc. Serve as anchors for the present and legitimize current practices.
  - C. Rituals
    1. Repetitive sequences of activities that express and reinforce the key values of the organization
  - D. Material Symbols
    1. Layout of corporation headquarters, types of automobile top executives are given, aircraft, size of offices, executive perks, etc.
  - E. Language
    1. Organizations develop unique terms related to its business. When jargon has been assimilated, it acts as a common denominator that unites members of a given culture or subculture.
- VI. Creating an Ethical Organizational Culture
  - A. Characteristics shaping high ethical standards:
    1. High in risk tolerance
    2. Low to moderate in aggressiveness
    3. Focuses on means as well as outcomes
    4. Managers are supported for taking risks and innovating
    5. Strong culture exerts more influence on employees than a weak one
  - B. How can management create a more ethical culture?
    1. Be a visible role model.
      - a. Employees look to top management behavior as a benchmark.
    2. Communicate ethical expectations.
      - a. Code of ethics can minimize ethical ambiguities.

3. Provide ethical training.
  - a. Training sessions that reinforce standards of conduct and clarify permissible practices
4. Visibly reward ethical acts and punish unethical ones.
  - a. Performance appraisal of managers should include analysis of behavior against code of ethics.
5. Provide protective mechanisms.
  - a. Creation of ethical counselors, ombudsmen, or ethical officers.

## VII. Creating a Positive Organizational Culture

### A. Introduction

1. There is a trend today for organizations to attempt to create a positive organizational culture.
2. A positive organizational culture emphasizes building on employee strengths, rewards more than it punishes, and emphasizes individual vitality growth.

### B. Building on employee strengths

1. Do not ignore problems
2. Emphasize how workers capitalize on their strengths

### C. Rewarding more than punishing

1. Praise in addition to extrinsic rewards
2. Catch employees doing something right

### D. Emphasizing vitality and growth

1. Organizational effectiveness plus individual growth
2. Employees are more than tools
3. Recognize difference between job and career

### E. Limits of Positive Culture

1. Not a panacea for all companies
2. All cultures don't value being positive.
3. There may be benefits to establishing a positive culture, but an organization also needs to be careful to be objective and not pursue it past the point of effectiveness.

## VIII. Spirituality and Organizational Culture

### A. What Is Spirituality?

1. Workplace spirituality is not about organized religious practices. It is not about God or theology.
2. Workplace spirituality recognizes that people have an inner life that nourishes and is nourished by meaningful work that takes place in the context of community.

### B. Why Spirituality Now? (Exhibit 16-5)

1. Historical models of management and organizational behavior had no room for spirituality. The myth of rationality assumed that the well-run organization eliminated feelings.
2. An awareness of spirituality can help you to better understand employee behavior.

### C. Characteristics of a Spiritual Organization

1. Spiritual organizations are concerned with helping people develop and reach their full potential.
2. Organizations that are concerned with spirituality are more likely to directly address problems created by work/life conflicts.
3. What differentiates spiritual organizations from their non-spiritual counterparts?
  - a. Strong Sense of Purpose
    - i. Spiritual organizations build their cultures around a meaningful purpose. For example, Ben & Jerry's has closely intermeshed socially

- responsible behavior into its producing and selling of ice cream.
  - b. Trust and Respect
    - i. Spiritual organizations are characterized by mutual trust, honesty, and openness.
    - ii. Managers aren't afraid to admit mistakes.
    - iii. They tend to be extremely up front with their employees, customers, and suppliers.
  - c. Humanistic Work Practices
    - i. Managers in spiritually-based organizations are comfortable delegating authority to individual employees and teams.
    - ii. They trust their employees to make thoughtful and conscientious decisions.
  - d. Toleration of Employee Expression
    - i. They allow people to be themselves—to express their moods and feelings without guilt or fear of reprimand.
- D. Criticisms of Spirituality
1. Critics of the spirituality movement in organizations have focused on two issues:
    - a. First is the question of legitimacy. Specifically, do organizations have the right to impose spiritual values on their employees?
    - b. Second is the question of economics. Are spirituality and profits compatible?
  2. This criticism is undoubtedly valid when spirituality is defined as bringing religion and God into the workplace.
    - a. However, the goal is limited to helping employees find meaning in their work lives and to use the workplace as a source of community.
  3. The issue of whether spirituality and profits are compatible objectives is certainly relevant for managers and investors in business.
    - a. A recent research study by a major consulting firm found that companies that introduced spiritually-based techniques improved productivity and significantly reduced turnover.
  4. Another study found that organizations that provide their employees with opportunities for spiritual development outperformed those that did not.
  5. Other studies also report that spirituality in organizations was positively related to creativity, employee satisfaction, team performance, and organizational commitment.

#### IX. Global Implications

- A. We considered global cultural values (collectivism–individualism, power distance, and so on) in Chapter 5. Here our focus is a bit narrower:
  1. How is organizational culture affected by a global context?
  2. As the opening vignette suggests, organizational cultures are so powerful they often transcend national boundaries.
  3. But that doesn't mean organizations should, or could, be blissfully ignorant of local culture.
- B. Organizational cultures often reflect national culture.
  1. The culture at AirAsia, a Malaysian-based airline, emphasizes informal dress so as not to create status differences.
    - a. The carrier has lots of parties, participative management, and no private offices, reflecting Malaysia's relatively collectivistic culture.
  2. However, the culture of US Airways does not reflect the same degree of informality.
    - a. If US Airways were to set up operations in Malaysia or merge with AirAsia, it would need to take these cultural differences into account.
  3. So when an organization opens up operations in another country, it ignores

- the local culture at its own risk.
- C. One of the primary things U.S. managers can do is to be culturally sensitive.
    - 1. The United States is a dominant force in business and in culture, and with that influence comes a reputation.
    - 2. “We are broadly seen throughout the world as arrogant people, totally self-absorbed and loud,” says one U.S. executive.
    - 3. Companies such as American Airlines, Lowe’s, Novell, ExxonMobil, and Microsoft have implemented training programs to sensitize their managers to cultural differences.
    - 4. Some ways in which U.S. managers can be culturally sensitive include talking in a low tone of voice, speaking slowly, listening more, and avoiding discussions of religion and politics.
  - D. The management of ethical behavior is one area where national culture can rub up against corporate culture.
    - 1. Many strategies for improving ethical behavior are based on the values and beliefs of the host country.
    - 2. U.S. managers endorse the supremacy of anonymous market forces and implicitly or explicitly view profit maximization as a moral obligation for business organizations.
    - 3. This worldview sees bribery, nepotism, and favoring personal contacts as highly unethical.
    - 4. Any action that deviates from profit maximization may indicate that inappropriate or corrupt behavior may be occurring. In contrast, managers in developing economies are more likely to see ethical decisions as embedded in a social environment.
    - 5. That means doing special favors for family and friends is not only appropriate but may even be an ethical responsibility.
    - 6. Managers in many nations also view capitalism skeptically and believe the interests of workers should be put on a par with the interests of shareholders.
  - E. U.S. employees are not the only ones who need to be culturally sensitive.
    - 1. Three times a week, employees at the Canadian unit of Japanese video game maker Koei begin the day by standing next to their desks, facing their boss, and saying “Good morning” in unison.
    - 2. Employees then deliver short speeches on topics that range from corporate principles to 3D game engines.
    - 3. Koei also has employees punch a time clock and asks women to serve tea to top executive guests.
    - 4. Although these practices are consistent with Koei’s culture, they do not fit Canadian culture very well.
    - 5. “It’s kind of like school,” says one Canadian employee.
- X. Summary and Implications for Managers
- A. Exhibit 16-6 depicts organizational culture as an intervening variable.
    - 1. Employees form an overall subjective perception of the organization based on factors such as degree of risk tolerance, team emphasis, and support of people.
    - 2. This overall perception becomes, in effect, the organization’s culture or personality and affects employee performance and satisfaction, with stronger cultures having greater impact.
  - B. Just as people’s personalities tend to be stable over time, so too do strong cultures.
    - 1. This makes a strong culture difficult for managers to change if it becomes mismatched to its environment. But as this chapter’s Point/Counterpoint demonstrates, changing an organization’s culture is a long and difficult

- process.
2. Thus, at least in the short term, managers should treat their organization's culture as relatively fixed.
- C. One of the most important managerial implications of organizational culture relates to selection decisions.
1. Hiring individuals whose values don't align with those of the organization is likely to yield employees who lack motivation and commitment and are dissatisfied with their jobs and the organization.
  2. Not surprisingly, employee "misfits" have considerably higher turnover rates.
- D. An employee's performance also depends to a considerable degree on knowing what to do and not do.
1. Understanding the right way to do a job indicates proper socialization.
- E. As a manager, you can shape the culture of your work environment.
1. All managers can especially do their part to create an ethical culture and to consider spirituality and its role in creating a positive organizational culture. Often you can do as much to shape your organizational culture as the culture of the organization shapes you.

# International OB

## Managing Across Organizational Boundaries

Another manifestation of culture is as a feature of a nation or group of nations. An obvious question for multinational corporations then is whether it is better to establish a single strong organizational culture across different nations or to adopt different cultural practices in each country. Research suggests the best management practice is to develop a strong unifying mission, while allowing teams to accomplish their work in ways that suit each nation's culture.

In a study of 230 organizations in different industries from regions including North America, Asia, Europe, the Middle East, and Africa, having a strong and positive organizational culture was associated with increased organizational effectiveness. Across countries, practices such as empowerment, team orientation, establishing a clear strategic direction, and providing a recognized vision were related to greater success in all countries. However, the practices were not equally important. Empowerment appeared more important in individualistic than in collectivistic countries.

Another study of 115 teams in five different multinational corporations found that when companies emphasized a unified global integration of business operations, teams shared less information. The reason might be that home office culture was dictating policies, leading teams to be less proactive about making changes. On the other hand, encouraging local teams to find their own solutions for their own cultural context resulted in greater learning and performance.

Overall, these studies show a productive organizational culture is associated with increased sales growth, profitability, employee satisfaction, and overall organizational performance. Part of this effective management strategy means empowering managers to take local context into account.

Sources: Based on D. R. Denison, S. Haaland, and P. Goelzer, "Corporate Culture and Organizational Effectiveness: Is Asia Different from the Rest of the World?" *Organizational Dynamics*, February 2004, pp. 98–109; and M. Zellmer-Bruhn and C. Gibson, "Multinational Organizational Context: Implications for Team Learning and Performance," *Academy of Management Journal* 49, no. 3 (2006), pp. 501–518.

### Class Exercise

1. Ask students to read the white paper at <http://www.expresspharmaonline.com/pharmabiocareerguide2009/pharmabiocareerguide02.shtml>
2. Divide the class into groups of three to five.
3. Assign half the groups the position to standardize operations in international context and the other half to localize operations.
4. Have each team prepare support for its position.
5. Have the teams present their positions and support.
6. Take a class vote on which position is perceived to be the most advantageous.